

Enterprising...

NORTH WEST COMPANY FUND
2006 SUMMARY ANNUAL REPORT





THE NORTH WEST COMPANY

RETAIL BANNERS



129 Northern stores,¹ offering a combination of food and general merchandise to northern Canadian communities



29 AC Value Centers, offering a combination of food and general merchandise to communities across rural Alaska



20 Giant Tiger junior discount stores,² offering family fashion, household products and food at convenient locations in Manitoba, Saskatchewan and Alberta



6 NorthMart stores,³ targeted at larger, regional markets and offering an expanded selection of fashion merchandise and fresh food



13 Quickstop convenience stores,³ offering prepared foods, petroleum products and a full convenience assortment

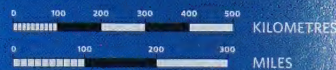
★ Anchorage
Alaska Commercial Company
• Head Office
• Distribution Center
• North Star Quality Meats

Frontier Expeditors,
a distributor of food
and general merchandise
to independent grocery
stores in rural Alaska

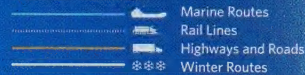
1 Cross Lake, Manitoba store was converted from a Northern to a NorthMart on April 2, 2007
2 Winnipeg, Manitoba has six Giant Tiger stores and Edmonton, Alberta has two Giant Tiger stores
3 Iqaluit, Nunavut has three Quickstops



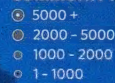
MAP SCALE :



SUPPLY ROUTES :



COMMUNITY POPULATIONS :



★ Winnipeg

The North West Company
• Corporate Head Office
• Logistics Service Centre
• Odd Lots Discount Centre
• Motorized Division
• Giant Tiger Stores

Crescent Multi Foods,
a distributor of produce and
fresh meats to independent
grocery stores in Saskatchewan,
Manitoba and northwestern Ontario

Selections catalogue, more
than 305,000 of which are
distributed across northern Canada,
featuring everything from fashion and
snowmobiles to computers and boats

INUIT ART MARKETING SERVICE
The Inuit Art Marketing Service,
Canada's largest distributor of Inuit art

**THE NORTH WEST COMPANY
FUR MARKETING BRANCH**
3 North West Company Fur Marketing
outlets, offering Aboriginal handicrafts
and authentic Canadian heritage
products, as well as wild furs

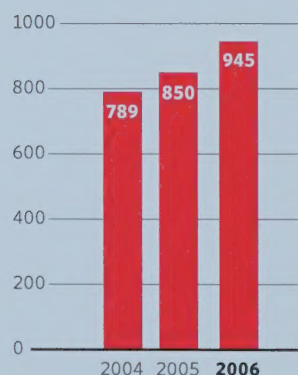
Financial Highlights

All currency figures in this report are in Canadian dollars, unless otherwise noted

Fiscal Year (\$ in thousands)	2006 52 Weeks	2005 52 Weeks	2004 52 Weeks
RESULTS FOR THE YEAR			
Sales	\$ 944,924	\$ 849,653	\$ 788,693
Same store sales % increase ¹	5.8%	5.4%	1.4%
Trading profit ² (earnings before interest, income taxes and amortization)	\$ 96,369	\$ 85,502	\$ 76,606
Earnings before interest and income taxes ² (EBIT)	70,197	60,489	52,701
Net earnings	53,660	42,890	37,265
Cash flow from operations ²	78,753	70,856	63,150
FINANCIAL POSITION			
Total assets	\$ 441,869	\$ 423,849	\$ 414,477
Total debt	107,503	111,673	120,932
Total equity	252,030	242,573	236,285
FINANCIAL RATIOS			
Debt-to-equity	.43:1	.46:1	.51:1
Return on net assets ³	19.7%	16.6%	14.8%
Return on average equity	21.7%	18.0%	16.2%
PER UNIT (\$)—DILUTED⁴			
Trading profit	\$ 1.99	\$ 1.77	\$ 1.58
Net earnings	1.12	0.89	0.77
Cash flow from operations	1.63	1.46	1.31
Equity—net book value	5.45	5.22	4.98
Cash distributions paid during the year	0.80	0.63	0.60
Market price—January 31	16.41	12.50	10.22
—high	18.50	12.83	10.58
—low	10.64	8.88	7.70

Sales

(\$ in millions)



Trading Profit

(\$ in millions)



Cash Flow From Operations

(\$ in millions)



Net Earnings Per Unit—Diluted



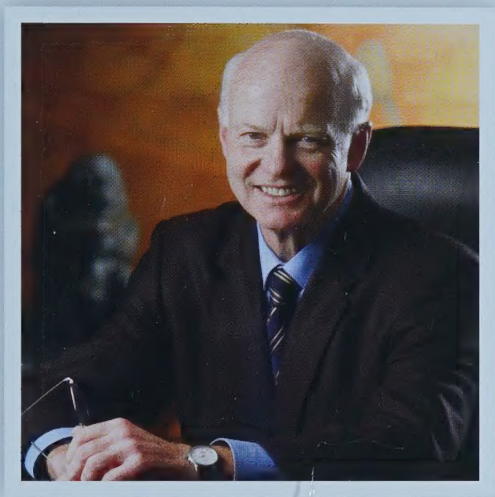
1 Same store sales, excluding the foreign exchange impact, on an equivalent 52-week basis

2 See Non-GAAP measures section on page 17 in the Management's Discussion & Analysis and Consolidated Financial Statements report which is available through SEDAR at www.sedar.com or the Company's website at www.northwest.ca

3 Earnings before interest and income taxes as a percent of average net assets employed

4 All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006

North West Company Fund (NWF) once again delivered top quartile investment performance in 2006.



Total return was 39% compared to 1% for the Income Trust Index, 12% for the TSX Composite Index and 11% for the retail component of the TSX. During the past five years, the Fund's units have delivered an annualized compound total return of 32%.

This performance was made possible by the Company's more than 6,600 employees and, in particular, their extraordinary dedication to customer service in the diverse communities we serve. On behalf of all unitholders, I would like to thank them for another successful year.

For the second year in a row, taxation issues figured prominently in the performance of the income trust sector. On October 31, 2006, the federal government announced a tax of 31.5% that will apply to most income trusts starting in 2011. The unit values of trusts affected by the proposed tax declined significantly as a result, although average values had recovered to a level of about 7% less than pre-announcement levels within three months.

If the proposed tax had been applied to NWF's 2006 Canadian taxable income, the Fund's earnings and cash provided by operating activities would have been reduced by \$13 million or 20.4% of consolidated income before tax. However, under the proposed tax changes, taxable Canadian unitholders would receive taxable dividend treatment on their distributions such that the after-tax income for most taxable unitholders would be substantially unchanged. Non-taxable Canadian and foreign unitholders would have a reduction in their after-tax distribution income.

Jack Mintz and PricewaterhouseCoopers LLP have made proposals to the federal government that recommend a refundable tax credit to non-taxable Canadian unitholders and shareholders such as RRSPs, RIFs and pension funds. We think this type of credit would improve the balance of investment opportunity in the capital markets between private and public equities and large and small tax-exempt and tax-deferred investors. It would improve the efficiency of the Canadian capital markets and encourage Canadian ownership of Canada's enterprises.

No matter how this issue plays out, we will continue to monitor evolving tax and capital markets developments and do our best to ensure that NWF maximizes the benefits to unitholders during the non-taxable period until 2011. We remain confident in North West Company Fund's ability to prosper—during the next four years and in the post-2010 environment.

A handwritten signature in blue ink, appearing to read 'Ian Sutherland'.

Ian Sutherland

In 2007, The North West Company is celebrating its 20th anniversary as an independent retailer and a 338-year history as one of the world's longest continuing enterprises.

Today our heritage continues to inspire us in meeting the needs of customers in our unique rural and neighbourhood markets. We are even prouder of our team of more than 6,600 Nor'Westers, whose commitment to excellence is North West's biggest competitive advantage.

In the spirit of our 20th anniversary year, we've created a new corporate identity, which you'll see throughout this report. It's meant to symbolize our drive, teamwork and enterprising spirit, and it reflects the strong links between our tradition and future as we look for new and better ways to serve our customers every day.

2006 was a great example of the balance between activities that drive our annual results and building block investments. This balance, effectively managed, is a cornerstone principle that guides how we sustain and enhance our business. Over the last two years, we have achieved higher sales and earnings gains, reflecting work that began five years ago on building the selling capabilities of our stores and increasing our investment in new locations, products and services.

Sales, trading profit and net earnings increased for the seventh consecutive year and our productivity measures of return on assets, return on equity and inventory turns reached record levels. Sales were up 11.2% or \$95.2 million to \$944.9 million, divided equally between existing and new store growth. Same store sales were robust, producing a 5.8% gain. Simply stated, our progress was the result of creating more reasons for our customers to shop with us. These included our growing network of gas bars, pre-loaded cash cards and innovative food introductions. The growing brand awareness of our maturing Giant Tiger stores and our ability to maintain the high operating standards of our stores in a very tight entry labour market also helped our performance.

Trading profit improved by 12.7% to \$96.4 million, slightly less than the full leverage we expected from our sales gain. Food was the leading profit driver and remains our merchandise focus. Our nine new stores in Alaska and Canada are all very good locations but overall produced net losses in their first year, as we wrote off store opening and training costs. Other expenses that we consider to be non-reoccurring totaled over \$3 million. These included an unfavourable tax assessment on staff housing benefits in Alaska, a large heating fuel clean-up expense, also in Alaska, and the professional fees tied to creating our limited partnership structure.

Energy-related inflation was a neutral income factor but, in terms of dollars flowing through our business, it had a large impact. Some costs were passed through in our pricing and some were absorbed and offset by gains in staff efficiency and contributions from real sales growth in our comparable stores.

Net income increased 25.1% to \$53.7 million, reflecting operating earnings performance and the enhanced tax efficiency of step one of our limited partnership structure. Additional tax efficiency will be achieved if the second and final step of the reorganization is approved by the Canada Revenue Agency. If this occurs, we could increase cash distributions from our existing cash flow base by a further \$10 million to \$13 million per year. This will continue until expected new tax rules take effect for all business income trusts in 2011.





Same store food sales were up a healthy 6.9% across all store banners.



Report Card on 2006 Targets

Our report card on last year's growth initiatives shows excellent results with some slower improvements where we underestimated development time for new businesses:

1 Food business will continue to be our first priority for market share growth. Same store food sales were up a healthy 6.9% across all store banners, exceeding our target of 6.0%. Inflation was significant at 3.3% but real market share growth was even greater. Fresh food categories averaged gains of more than 10.0%, supported by more focus in our advertising, marketing events and new items. Execution continued to improve despite intense competitive pressure on finding and keeping the best people to lead our stores and key departments.

2 In 2006, we will complete an assessment of wholesale distribution opportunities in northwestern Ontario and western Canada. We have decided that there is space in the wholesale market for what we can offer, as a one-stop partner for rural, independent retailers. System integration is underway to seamlessly offer our full range of products and efficiently process orders. We will be ready for testing with customers in the second half of 2007.

3 In healthcare, we now have a base capability in place following the acquisition of a large in-store pharmacy business early in 2006. Last year's plan was to open two in-store pharmacies and five satellite telepharmacy services. Two pharmacies and one telepharmacy were opened with two more constructed and awaiting regulatory approval from the Government of Nunavut. We expect to open or acquire in-store pharmacies at a faster pace in 2007 and move more slowly on the satellite operations, pending the outcome of the regulatory approval process in Nunavut and the Northwest Territories.

Increasing food sales Gary Dyck, Supervisor, Production Grocery, Winnipeg Logistics Service Centre, prepares food for distribution throughout the North.

Super-convenience Lindsay Linklater with her son, Spencer, at a QuickStop in Moose Factory, Ontario.

4 New openings will accelerate in 2006 with six Giant Tiger (GT) banner stores and the anticipated acquisition of at least four Alaska stores. We finished the year with five Giant Tiger openings, one short of our goal. Three of our new GT stores were in Alberta where we are working hard to locate affordable sites. In Alaska, we completed the acquisition of four stores, including our first stores on Prince of Wales Island in the southeast region of the state.

5 The addition of gas bars and the repositioning of our smaller road-accessible stores to a 'super-convenience' product mix will continue to be refined in 2006. Our fuel business was very strong with six new gas bars opened against a target of five, bringing us to 45 at year end. Gas sales at existing outlets were up 30.3% reflecting price inflation and excellent market share gains driven literally by more customer traffic. Fuel will continue to grow as a core product within our road-accessible stores and will eventually be part of our wholesale offering to independent retailers.

6 Last year we started to sell motor vehicles, complementing our line-up of snow machines, all-terrain vehicles, boats and motors. Motor vehicle sales increased as planned, and we started selling vehicles at our Alaska stores. We have a good foothold in the Arctic and we have the potential to double our business in these markets over the next three years by adding locations and extending our product range. In less remote locations, there are entrenched buying patterns with conventional auto dealers and our initial expectations for volume growth will be more difficult but not impossible to achieve.



2007 Building Block Investments

Serving local markets with convenient, lifestyle-driven shopping choices presents us with an ongoing stream of attractive new product and service opportunities. Being ready and able to take advantage of these opportunities is the goal of our building block work in the areas of leadership, technology and the way we organize our business.

Leadership is the role of everyone at North West, with emphasis on managerial level positions throughout the organization.

We are each accountable to build highly capable teams and to ensure that we have clearly defined, valuable roles for our people. Building deeper bench strength is a key area, especially for our store management positions and for new businesses. We continued to refine our Manager-In-Training (MIT) programs to attract, teach and retain skilled people, and in 2007 we will recruit over 40 MITs into our company. Added to our efforts over the past two years, this recruitment target gives us the capacity to grow and to operate our existing stores at the highest standards.

Continuous leadership development is increasingly important at North West. We are investing more time, starting with my own, in the career planning of our highest potential managers and in leadership education programs. The result is that our managers are on the same page, working from the same principles when it comes to how we lead and what we expect from each other.

Technology will keep providing us with flexible, cost-effective information solutions. As we have added new banners, products and services, our information support needs have grown. Today, our computing environment is too rigid, complex and costly for a company of our relatively small size and wide breadth. In 2007, we will start converting to a Service Oriented Architecture that is a more agile, affordable "plug and play" model. The work will take several years as we simplify business applications and processes across our business. It will allow us to reduce information technology costs while delivering systems that fully support each of our specialized products and services, from food to pharmacy to general merchandise and financial services.

At North West we pride ourselves on being the local store in every respect. This means refining a retail model that encourages decision-making as close as possible to our customer. The equation is simple. Within the diversity of our small markets, more control and accountability at store level translates into better customer relationships and higher sales potential.

Over the past five years and for the next three or more we will continue to create a more decentralized selling structure that's supported by scalable and flexible home office services. Ongoing initiatives in support of this structure include integrated ordering systems, management recruiting and training, retention and incentive plans. In 2007, our priorities will be general merchandise ordering proficiency in our Canadian stores and best practices across all banners. Success will be measured by improved sales and margin performance in this business over 2006, and a continued reduction in our average inventory position.

2007 will be another year of above average capital spending on both sustaining and new business investment. We expect to spend about \$42 million this year, up from \$35 million in 2006 and our historical rate of \$25 million. Growth spending will accelerate in our health business with the addition of five in-store pharmacies. Ten new store openings are planned in Alaska and Canada. These will be a combination of new market builds and acquisitions of independent retailers. Six major store replacements and additions will be completed and we will launch a long-term store renewal program to cycle all of our stores through upgrades.

2007 Environment and Outlook

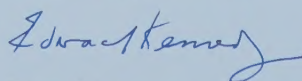
We are planning for another year of improvement and growth in 2007. We expect that lower inflation will bring down our comparable store sales growth from last year's exceptional levels. Northern consumer spending is expected to rise in the second half of the year due to several factors including: higher Permanent Fund Dividends in Alaska; the distribution of residential school settlement payments in northern Canada; accelerated resource development in the far North; and a healthy salmon industry in Alaska.

Sales planning will receive more attention in 2007. Sales targets will be more ambitious and we will be ready to capture more seasonal sales throughout the year and during key selling events, outside of our traditionally strong Christmas period.

North West's senior management team has been strengthened by several recent changes. Michael McMullen, former CEO of *Warehouse One*, *The Jean Store*, joined North West in February 2007 to head up our Northern and NorthMart store banners. In the second half of last year, the food and general merchandise groups were consolidated into the Procurement and Marketing Group under Russell Zwanka who joined North West in mid-2005 from a leading regional U.S. food wholesaler. Within our Finance and Support Services Group, John King was promoted to the position of Vice-President, Finance & Secretary at mid-year. This move provided financial leadership depth and enabled Léo Charrière, CFO and Executive Vice-President of the Support Services Group, to lead our business planning, information systems and logistics work.

At North West, our first priority is to build a successful retail business. Our belief, which has stood the test of time, is that regardless of our structure the underlying business is where value is generated. Prior to becoming one of the first business income trusts in 1997, we were a publicly traded company with a solid record of earnings and dividends. Now, 10 years later, anticipated tax rules suggest that we should remain an income trust for the next four years while remaining open to new structure ideas that do not weaken our ability to be a growing, successful retailer.

No matter how the new tax rules for income trusts play out, North West is making the necessary investments for continued prosperity—during the next four years and in the post-2010 environment. With the valued support of our customers, suppliers and employees, I look forward to reporting on our progress in the months and years ahead.



Edward S. Kennedy President & CEO, The North West Company Inc. April 18, 2007



Northern Pharmacy 2006 marked NWC's addition of pharmaceutical services to customers in the Moosonee, Ontario community and surrounding area. Pictured here, Eva Rivera helps Jennifer Mitchell and her son Roman with a personal consultation.

Each northern market is a never ending, enterprising opportunity.

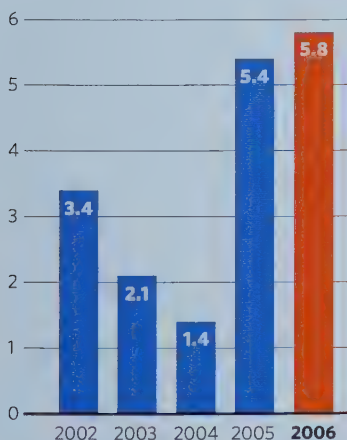


At North West, our northern store banners are driven by a strategy aimed at growing “with and within” each market. Where other retailers depend on new store openings for growth, our first priority is to sell more each year through existing

stores. You can see this commitment in our continuous expansion into new products and services and in our effort to tailor each store’s merchandise mix to the community it serves. While the ongoing expansion of our food offering continues to drive sales growth, complementary products and services such as financial services, healthcare, motor vehicles and gas retailing are growing contributors to our success. At store level, we continue to invest in the skills and technology required to refine our merchandise selection and ordering capabilities. Combined with the insight of our local managers, we remain focused on the best merchandise opportunities, one community, and one customer, at a time.

Same Store Sales Growth

(Yearly % Increases)



And automobiles... Arviat Northern manager, Darren Price, with happy customer Hattie Alagalak, one of 71 new motor vehicle customers from remote communities in 2006.

Room to grow Uniquely positioned, with hard-to-duplicate assets in remote but thriving communities, North West continues to lead the industry in same store sales growth.

An open mind creates enterprising partnerships.

When your product and service offering is as broad as ours, competing against specialty retailers requires an open, enterprising approach. Our Giant Tiger venture combines the buying power of North West and Giant Tiger stores to obtain the lowest cost on food items, while leveraging North West's regional market knowledge. Stores are modeled after Giant Tiger's eastern Canadian business with the merchandise mix adapted to regional and local differences. The result is a blend of expertise that has enabled North West to extend its reach from remote to urban markets while enhancing the Company's cash flow performance.

Our first partnership started 15 years ago with the launching of licensed quick-service food outlets under the *Pizza Hut* and *KFC* banners. Since then, we have entered into mutually profitable ventures with many companies including *H&R Block, Canada Post, TruServ Canada Inc., Dufresne Furniture & Appliances, Bailey's Furniture, Burger King* and *A&W*.

Roaring across the west

Andrea Robin shops at the latest Giant Tiger, in Winnipeg. Our Giant Tiger venture, with 25 stores projected in western Canada by the end of 2007, is a leading retailer of everyday and trend merchandise sold at great prices in convenient locations.

1987

Purchase of the assets of *Hudson Bay Company Northern Stores Division*

1990

Approval of adoption of The North West Company name by shareholders

Northern retail banner rollout begins

NWC common shares are listed on the Toronto, Ontario and Winnipeg, Manitoba stock exchanges



1992

Purchase of Alaska Commercial Company and Frontier Expeditors



1993

Winnipeg Retail Service Centre, a state of the art distribution facility, opens

First *KFC* opens in Nelson House, Manitoba

First *Pizza Hut Express* opens in Cross Lake, Manitoba



1994

First *Burger King* opens in Dutch Harbour, Alaska

First *NorthMart* opens in La Ronge, Saskatchewan including an *A&W* fast food outlet

Food distribution facility opens in Winnipeg, Manitoba





1997

Acquisition of Crescent Multi Foods

Announcement of the North West Company Fund structure



2000

Introduction of *H&R Block* and *TruServ Canada Inc.* alliances

Wintering Partners' Conference resumes in Winnipeg, Manitoba



H&R BLOCK



2001

Alliance with *Dufresne Furniture & Appliances* begins

Giant Tiger pilot stores open in Winnipeg and Thompson, Manitoba



Dufresne



2002

Master Franchise Agreement with *Giant Tiger Stores Limited* signed

Alliance agreement with *A. De La Chevrotière Ltée* commences

2006

Acquisition of a retail pharmacy in Moosonee, Ontario

Partnership with *Bailey's Furniture* begins





Good citizens build better communities.

Close-knit NWC enjoys centuries-long relationships with many of the communities we serve, exemplified by the annual Moose Cree First Nation Elder's Christmas Feast we sponsor in Moose Factory, Ontario. Shown in the foreground are Mary Linklater, Nellie Fairies, Sophia Quachegan, Anne Marie Jamieson, Charlotte Hardisty, Lorne Lazarus, April Katapaytuk, Billy Cornston Senior and Sandra Little.

Strong community relations aren't just a noble goal at The North West Company—they're an integral part of everyday life in our stores, where the scale of our business and the close-knit communities we serve is dwarfed by a majestic and often unrelenting environment. Here, the spirit of human cooperation is strong and personal relationships run deep, often through generations. We embrace the accountability that comes with this territory and treat it as a privilege that demands our respect and support. While our stated purpose is "to enhance lives by offering shopping choices that are convenient, dependable and lifestyle-driven," we recognize that being a supportive local enterprise is an essential part of what we do. Our efforts are intensely focused at the community and regional levels because this is where the greatest need resides. We are asked often for help and, in one way or another, we do our best to lend a hand.



Supportive High school basketball tournaments such as this one in Cordova are a popular activity and a source of pride in Alaskan communities. The Alaska Commercial Company is a major sponsor of the Alaska Schools Activity Association (ASAA) benefiting students, athletes, musicians, and entertaining families throughout the state.



Our performance depends on the efforts of more than 6,600 associates

who share a proud and enterprising heritage. That's why we do our best to challenge and reward them. Throughout the organization, we encourage accountability, innovation and delegation of work to the lowest capable level. And we provide our people with the comprehensive training and tailored compensation programs they need to reach their potential. It's an investment that emulates the enterprising legacy of Canada's first merchants, and it will always be an integral part of our success.



North West Company Fund Structure

The Fund The North West Company Fund (the Fund) was created on March 27, 1997 when the shareholders of The North West Company (the Company) exchanged their shares for 100% of the issued units of the Fund. The benefits of the Fund structure included increased cash distributions to unitholders, improvement in unitholder value and a greater ability to raise capital for growth. Interest paid by the Company to the Fund and then through to unitholders resulted in tax efficiencies to the Company. These tax efficiencies and the positive trend in cash flow from operations of the Fund have permitted growing distributions to unitholders.

As a result of the Company's growth in profitability, the Fund had reached the maximum tax benefits available under the existing structure by the end of 2005, at which time the Fund initiated an internal reorganization that transferred most of the Canadian assets and operations to a limited partnership, The North West Company LP (NWC LP). Completed in April 2006, this new structure allows an increased portion of the future growth in the profitability of the Canadian operations to be distributed to unitholders on a more tax effective basis.

The Fund also proceeded with a tax ruling submission to the Canada Revenue Agency to implement a further restructuring to more fully utilize the benefits of the limited partnership structure. Unitholder approval for this next step was received at the June 8, 2006 Annual and Special Meeting. A response to the submission has not yet been received. Lender approval will also be required.

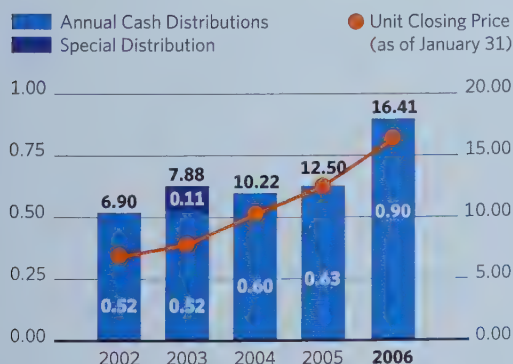
Capital Structure of the Company The Fund holds a total of \$205.0 million in subordinated notes of the Company and of the NWC Trust at an average interest rate of 12.6%. The maximum total distribution from interest on the notes, net of fund expenses, is \$0.52 per unit. Additional distributions are made from dividends paid to the Fund by the Company and from the net income of NWC LP after a preferred distribution is paid to the Company. The Fund owns all of the shares of the Company and is the only holder of units in the NWC Trust.

Cash Paid Out and Reinvested The following table outlines the cash flow from operations per unit and the amounts distributed and reinvested over the past five years. Distributions increased from \$0.52 per unit in 2002 to \$0.90 per unit in 2006. A special distribution of \$0.11 per unit is included in the 2003 distributions. The Company has reinvested over 50% of cash flow from operations.

Fiscal year	2002	2003	2004	2005	2006
Cash flow from operations/unit \$ ¹	1.22	1.22	1.31	1.46	1.63
Payout \$	0.52	0.63 ²	0.60	0.63	0.90
Payout %	42.6	51.6	45.8	43.2	55.2
Reinvested \$	0.70	0.59	0.71	0.83	0.73

¹ For 2002 to 2006, the total number of units outstanding throughout the year was used to calculate cash flow from operations/unit \$
² Units held by management as part of the Unit Purchase Loan Plan were not deducted from the total number of units outstanding
 2003 includes a special distribution of \$0.11 per unit

Cash Distributions & Unit Price Post Split Basis (\$)



Distributions The policy of the Fund is to distribute the interest received on the notes and its portion of the NWC LP earnings. This policy is based on the Company's assessment of short- and long-term capital requirements, earnings stability and balance sheet strength. During 2006, unitholders received quarterly cash distributions of \$0.18 to \$0.22 per unit with an extra distribution of \$0.10 included in the 2006 amount but paid in February 2007. Quarterly cash distributions of \$0.22 per unit are expected for 2007, payable to unitholders of record at the end of March, June, September and December, and distributed by the fifteenth of the following month. Depending on the profitability of the limited partnership, the Trustees may elect to increase the level of distributions.

Management's Responsibility for Financial Statements

The management of North West Company Fund and The North West Company Inc. are responsible for the preparation, presentation and integrity of the accompanying summarized financial statements and all other information in this annual report. The summarized consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada and include certain amounts that are based on the best estimates and judgment by management.

In order to meet its responsibility and ensure integrity of financial reporting, management has established a code of business ethics, and maintains appropriate internal controls and accounting systems. The summarized consolidated financial statements and all other information in this annual report should be read in conjunction with the audited consolidated financial statements and Management's Discussion & Analysis.

PricewaterhouseCoopers LLP, an independent firm of auditors appointed by the unitholders, have completed their audit and submitted their report.



Edward S. Kennedy

President & CEO, The North West Company Inc.



Léo P. Charrière

Executive Vice-President & CFO, The North West Company Inc.

March 19, 2007

PRICEWATERHOUSECOOPERS

Auditor's Report on Summarized Financial Statements

To the Unitholders of North West Company Fund:

The accompanying summarized consolidated balance sheet and statements of earnings and retained earnings and cash flows are derived from the complete consolidated financial statements of North West Company Fund as at January 31, 2007 and January 28, 2006 and for the years then ended on which we expressed an opinion without reservation in our report dated March 19, 2007. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete consolidated financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the entity's financial position, results of operations and cash flows, reference should be made to the related complete consolidated financial statements.



Chartered Accountants
Winnipeg, Canada

March 19, 2007

Consolidated Balance Sheets

(\$ in thousands)

January 31, 2007

January 28, 2006

ASSETS

Current assets

Cash	\$ 22,100	\$ 21,888
Accounts receivable	69,208	67,498
Inventories	128,455	124,551
Prepaid expenses	3,693	2,981
Future income taxes	2,708	1,824

226,164 218,742

Property and equipment

189,599 182,108

Other assets

19,690 17,306

Future income taxes

6,416 5,693

\$ 441,869 \$ 423,849

LIABILITIES

Current liabilities

Bank advances and short-term notes	\$ 21,581	\$ 27,041
Accounts payable and accrued liabilities	77,624	65,016
Income taxes payable	3,287	3,302
Current portion of long-term debt	20,291	108

122,783 95,467

Long-term debt

65,631 84,524

Asset retirement obligations

1,425 1,285

189,839 181,276

EQUITY

Capital	165,205	165,205
Contributed surplus	383	—
Unit purchase loan plan	(11,493)	(9,965)
Retained earnings	93,253	83,133
Cumulative currency translation adjustments	4,682	4,200

252,030 242,573

\$ 441,869 \$ 423,849

Approved by the Trustees



Ian Sutherland
Trustee



Edward S. Kennedy
Trustee

All financial data was summarized from and should be read in conjunction with the audited consolidated financial statements included in the Management's Discussion & Analysis and Consolidated Financial Statements report which is available through SEDAR at www.sedar.com or the Company's website at www.northwest.ca

Consolidated Statements of Earnings & Retained Earnings

(\$ in thousands)	52 Weeks Ended January 31, 2007	52 Weeks Ended January 28, 2006
SALES	\$ 944,924	\$ 849,653
Cost of sales, selling and administrative expenses	(848,555)	(764,151)
Net earnings before amortization, interest and income taxes	96,369	85,502
Amortization	(26,172)	(25,013)
Interest, including interest on long-term debt of \$5,792 (2005—\$5,080)	70,197 (6,844)	60,489 (6,120)
Provision for income taxes	63,353 (9,693)	54,369 (11,479)
NET EARNINGS FOR THE YEAR	\$ 53,660	\$ 42,890
Retained earnings, beginning of year	83,133	70,560
Distributions	(43,540)	(30,317)
RETAINED EARNINGS, END OF YEAR	\$ 93,253	\$ 83,133
NET EARNINGS PER UNIT		
Basic	\$ 1.13	\$ 0.90
Diluted	\$ 1.12	\$ 0.89

All financial data was summarized from and should be read in conjunction with the audited consolidated financial statements included in the Management's Discussion & Analysis and Consolidated Financial Statements report which is available through SEDAR at www.sedar.com or the Company's website at www.northwest.ca

Consolidated Statements of Cash Flows

(\$ in thousands)	52 Weeks Ended January 31, 2007	52 Weeks Ended January 28, 2006
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net earnings for the year	\$ 53,660	\$ 42,890
Non-cash items		
Amortization	26,172	25,013
Future income taxes	(1,580)	2,780
Unit purchase loan plan compensation	383	—
Amortization of deferred financing costs	186	186
Gain on disposal of property and equipment	(68)	(13)
	78,753	70,856
Change in non-cash working capital	3,845	9,865
Change in other non-cash items	(1,112)	(5,432)
Operating activities	81,486	75,289
Investing Activities		
Business acquisitions	(5,577)	—
Purchase of property and equipment	(30,136)	(24,833)
Proceeds from disposal of property and equipment	237	848
Investing activities	(35,476)	(23,985)
Financing Activities		
Change in bank advances and short-term notes	(5,460)	(4,899)
Net purchase of units for unit purchase loan plan	(1,528)	(5,536)
Repayment of long-term debt	(108)	(102)
Distributions	(38,702)	(30,317)
Financing activities	(45,798)	(40,854)
NET CHANGE IN CASH	\$ 212	\$ 10,450
Cash, beginning of year	21,888	11,438
CASH, END OF YEAR	\$ 22,100	\$ 21,888
Supplemental disclosure of cash paid for:		
Interest expense	\$ 6,839	\$ 6,166
Income taxes	\$ 11,730	\$ 9,260

All financial data was summarized from and should be read in conjunction with the audited consolidated financial statements included in the Management's Discussion & Analysis and Consolidated Financial Statements report which is available through SEDAR at www.sedar.com or the Company's website at www.northwest.ca

Eleven-Year Financial Summary

Fiscal Year ¹ (\$ in thousands)	2006 52 weeks	2005 52 weeks	2004 52 weeks	2003 53 weeks	2002 52 weeks
Consolidated Statements of Earnings					
Sales—Canadian Operations	\$ 769,633	\$ 689,340	\$ 629,822	\$ 615,661	\$ 565,747
Sales—Alaskan Operations	175,291	160,313	158,871	167,059	184,012
Sales—Total	944,924	849,653	788,693	782,720	749,759
Trading Profit (EBIUTDA) ³ —Canadian Operations	81,730	70,561	62,629	57,663	59,163
Trading Profit (EBIUTDA) ³ —Alaskan Operations	14,639	14,941	13,977	15,163	13,108
Trading Profit (EBIUTDA) ³ —Total Operations	96,369	85,502	76,606	72,826	72,271
Amortization—Canadian Operations	22,248	21,103	19,977	18,413	18,976
Amortization—Alaskan Operations	3,924	3,910	3,928	3,988	3,696
Amortization—Total	26,172	25,013	23,905	22,401	22,672
Unusual item	—	—	—	—	—
Interest	6,844	6,120	5,761	6,299	6,681
Income tax provision (recovery)	9,693	11,479	9,675	8,396	8,449
Net earnings	53,660	42,890	37,265	35,730	34,469
Cash flow from operations	78,753	70,856	63,150	58,886	59,184
Distributions/Dividends paid during the year	38,702	30,317	29,105	30,639	25,157
Cash flow from operations after distributions/dividends	40,051	40,539	34,045	28,247	34,027
Capital expenditures	30,136	24,833	22,323	33,273	20,128
Net change in cash	212	10,450	(5,189)	6,176	475
Consolidated Balance Sheets					
Current assets	\$ 226,164	\$ 218,742	\$ 208,188	\$ 196,830	\$ 209,900
Property and equipment	189,599	182,108	186,104	192,395	188,194
Other assets	19,690	17,306	12,253	12,153	10,775
Future income taxes	6,416	5,693	7,932	8,222	9,322
Current liabilities	122,783	95,467	88,284	83,140	91,995
Long-term debt and other liabilities	67,056	85,809	89,908	97,982	106,812
Equity	252,030	242,573	236,285	228,478	219,384
Consolidated per Unit/Share (\$)²					
Net earnings before unusual item—basic	\$ 1.13	\$ 0.90	\$ 0.78	\$ 0.75	\$ 0.72
Net earnings—diluted	1.12	0.89	0.77	0.74	0.71
Trading profit ⁴	2.03	1.79	1.60	1.52	1.50
Cash flow from operations ⁴	1.66	1.49	1.32	1.23	1.23
Distributions paid in cash during the year	0.80	0.63	0.60	0.63	0.52
Distributions paid in units during the year	0.00	0.00	0.00	0.00	0.00
Dividends paid in cash during the year	0.00	0.00	0.00	0.00	0.00
Cash flow from operations after cash distributions/dividends ⁴	0.86	0.86	0.72	0.60	0.71
Equity at end of fiscal year (basic units outstanding)	5.29	5.11	4.95	4.78	4.59
Market price at January 31	16.41	12.50	10.22	7.88	6.90
Statistics at Year End					
Number of stores—Canadian	168	164	159	156	154
Number of stores—Alaskan	32	27	25	25	25
Selling square feet (000's) end of year—Canadian Stores	1,226	1,157	1,093	1,106	1,070
Selling square feet (000's) end of year—Alaskan Stores	311	272	255	254	245
Sales per average selling square foot—Canadian	\$ 646	\$ 613	\$ 573	\$ 566	\$ 534
Sales per average selling square foot—Alaskan	\$ 601	\$ 608	\$ 624	\$ 669	\$ 752
Number of employees—Canadian Operations	5,833	5,175	4,830	4,552	4,270
Number of employees—Alaskan Operations	806	732	692	736	657
Average units/shares outstanding (000's)	47,561	47,694	47,754	47,820	48,021
Units/Shares outstanding at end of fiscal year (000's)	47,625	47,463	47,700	47,799	47,844
Units/Shares traded during the year (000's)	13,201	6,956	7,393	7,207	7,617
Financial Ratios					
Trading profit (%) ³	10.2	10.1	9.7	9.3	9.6
EBIUT (%) ⁵	7.4	7.1	6.7	6.4	6.6
Total return on net assets before unusual item (%)	19.7	16.6	14.8	14.1	13.4
Return on average equity before unusual item (%)	21.7	18.0	16.2	16.0	15.8
Debt-to-equity	.43:1	.46:1	.51:1	.56:1	.62:1
Distributions/Dividends as % of cash flow from operations	49.1	42.8	46.1	52.1	42.5
Inventory turnover (times)	5.1	4.6	4.2	4.1	3.7

1 The fiscal year changed from the last Saturday in January to January 31, effective January 31, 2007

2 On September 20, 2006 the units were split on a three-for-one basis. All per unit information has been restated to reflect the three-for-one split except trading

2001 52 weeks	2000 52 weeks	1999 52 weeks	1998 52 weeks	1997 53 weeks	1996 52 weeks	Fiscal Year ¹ (\$ in thousands)
						Consolidated Statements of Earnings
\$ 532,349	\$ 502,756	\$ 478,508	\$ 494,023	\$ 497,997	\$ 474,465	Sales—Canadian Operations
171,694	156,276	147,961	135,095	118,713	116,118	Sales—Alaskan Operations
704,043	659,032	626,469	629,118	616,710	590,583	Sales—Total
60,337	54,534	51,075	55,736	53,478	57,198	Trading Profit (EBIUTDA) ³ —Canadian Operations
10,198	9,352	8,881	6,304	3,620	2,159	Trading Profit (EBIUTDA) ³ —Alaskan Operations
70,535	63,886	59,956	62,040	57,098	59,357	Trading Profit (EBIUTDA) ³ —Total Operations
19,301	18,568	17,287	16,739	15,525	14,181	Amortization—Canadian Operations
3,393	2,987	2,860	2,470	1,986	1,968	Amortization—Alaskan Operations
22,694	21,555	20,147	19,209	17,511	16,149	Amortization—Total
—	—	—	20,000	—	—	Unusual item
10,501	13,236	11,701	13,714	12,298	11,843	Interest
8,325	961	151	(7,028)	6,252	13,507	Income tax provision (recovery)
29,015	28,134	27,957	16,145	21,037	17,858	Net earnings
55,773	47,782	44,854	52,110	35,992	30,587	Cash flow from operations
21,375	21,446	21,600	18,750	8,925	6,094	Distributions/Dividends paid during the year
34,398	26,336	23,254	33,360	27,067	24,493	Cash flow from operations after distributions/dividends
20,427	19,133	22,777	18,328	28,818	22,994	Capital expenditures
1,388	(1,567)	(1,481)	1,260	6,967	(1,759)	Net change in cash
						Consolidated Balance Sheets
\$ 219,956	\$ 192,250	\$ 176,164	\$ 174,137	\$ 213,659	\$ 184,836	Current assets
194,025	194,448	195,429	197,310	198,074	184,268	Property and equipment
9,836	10,055	12,351	13,045	13,403	14,632	Other assets
9,358	19,212	3,593	2,919	(9,102)	(8,570)	Future income taxes
204,017	100,886	92,486	90,723	121,398	92,585	Current liabilities
9,634	124,106	125,146	132,571	134,476	135,228	Long-term debt and other liabilities
219,524	190,973	169,905	164,117	160,160	147,353	Equity
						Consolidated per Unit/Share (\$)²
\$ 0.65	\$ 0.63	\$ 0.62	\$ 0.61	\$ 0.47	\$ 0.39	Net earnings before unusual item—basic
0.65	0.63	0.62	0.36	0.47	0.39	Net earnings—diluted
1.58	1.43	1.33	1.38	1.27	1.31	Trading profit ⁴
1.25	1.07	1.00	1.16	0.80	0.68	Cash flow from operations ⁴
0.49	0.48	0.48	0.33	0.13	0.00	Distributions paid in cash during the year
0.00	0.00	0.00	0.08	0.00	0.00	Distributions paid in units during the year
0.00	0.00	0.00	0.00	0.07	0.13	Dividends paid in cash during the year
0.76	0.59	0.52	0.83	0.60	0.55	Cash flow from operations after cash distributions/dividends ⁴
4.54	4.33	3.78	3.65	3.56	3.27	Equity at end of fiscal year (basic units outstanding)
5.73	4.33	4.00	5.20	4.67	3.67	Market price at January 31
						Statistics at Year End
153	153	153	151	163	160	Number of stores—Canadian
24	24	25	23	28	27	Number of stores—Alaskan
1,050	1,019	998	990	1,063	1,026	Selling square feet (000's) end of year—Canadian Stores
244	238	235	229	227	229	Selling square feet (000's) end of year—Alaskan Stores
\$ 515	\$ 499	\$ 481	\$ 481	\$ 477	\$ 466	Sales per average selling square foot—Canadian
\$ 712	\$ 661	\$ 638	\$ 592	\$ 520	\$ 513	Sales per average selling square foot—Alaskan
4,015	3,822	3,787	3,823	4,004	3,725	Number of employees—Canadian Operations
690	655	655	635	685	645	Number of employees—Alaskan Operations
44,688	44,625	45,000	45,000	45,000	45,285	Average units/shares outstanding (000's)
48,378	44,073	45,000	45,000	45,000	45,000	Units/Shares outstanding at end of fiscal year (000's)
4,776	4,843	2,795	4,606	6,195	6,862	Units/Shares traded during the year (000's)
						Financial Ratios
10.0	9.7	9.6	9.9	9.3	10.1	Trading profit ³ (%)
6.8	6.4	6.4	6.8	6.4	7.3	EBIUT ⁵ (%)
12.7	11.5	11.6	12.1	11.4	13.4	Total return on net assets before unusual item (%)
14.9	15.2	16.8	17.6	13.9	12.7	Return on average equity before unusual item (%)
.69:1	.92:1	1.01:1	1.06:1	1.26:1	1.19:1	Debt-to-equity
38.3	44.9	48.2	36.0	24.8	19.9	Distributions/Dividends as % of cash flow from operations
3.3	3.3	3.4	3.1	3.0	3.0	Inventory turnover (times)

³ Earnings before interest, unusual item, taxes, depreciation and amortization

⁴ Based on average basic units outstanding

⁵ Earnings before interest, unusual item and taxes

Unitholder Information



Quarterly History

Fiscal Year	Unit Price High	Unit Price Low	Unit Price Close	Volume ²	EPU ³
2006	\$ 18.50	\$ 10.64	\$ 16.41	13,166,699	\$ 1.12
April 30, 2006	14.17	10.64	13.62	1,543,300	0.20
July 31, 2006	15.96	12.65	15.49	2,360,545	0.27
October 31, 2006	18.50	14.74	17.61	3,105,911	0.31
January 31, 2007	17.19	12.25	16.41	6,156,943	0.34
2005¹	\$ 12.83	\$ 8.88	\$ 12.50	6,955,708	\$ 0.89
April 30, 2005	11.25	9.55	9.75	1,617,400	0.16
July 31, 2005	11.48	9.67	11.15	1,109,500	0.23
October 31, 2005	11.33	8.88	9.45	2,180,500	0.25
January 31, 2006	12.83	9.13	12.50	2,048,308	0.25
2004¹	\$ 10.58	\$ 7.70	\$ 10.22	7,392,594	\$ 0.77
April 30, 2004	8.42	7.73	7.77	2,712,528	0.13
July 31, 2004	8.78	7.70	7.87	1,607,521	0.19
October 31, 2004	9.00	7.83	8.87	1,443,974	0.23
January 31, 2005	10.58	8.74	10.22	1,628,571	0.22

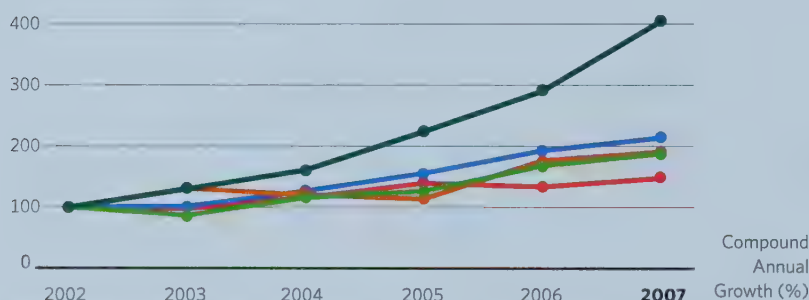
1 2004/2005 restated for the three-for-one unit split

2 Volumes are reflected as the actual volumes traded and show a blend of pre and post September 20, 2006 unit split trades

3 Net earnings per unit on a diluted basis

Total Return Performance (% at January 31)

This chart illustrates the relative performance of units (on a post split basis) of North West Company Fund over the past five years. The index incorporates the reinvestment of dividends and income distributions.



NWF.UN	100	130	161	224	290	404	32.2
TSX Composite	100	87	116	127	168	188	13.4
Consumer Durables/ Apparel Group	100	131	121	114	177	191	13.8
Retailing Group	100	102	127	156	193	214	16.5
Food/Staples Retailing Group	100	98	116	140	134	148	8.2

2007 Financial Calendar Reporting Dates

First Quarter: June 5, 2007

Second Quarter: September 6, 2007

Third Quarter: December 6, 2007

Fourth Quarter: March 19, 2008

North West Company Fund Distribution Dates

Record and Payable Date: March 31, 2007

Distributable Date: April 15, 2007

Record and Payable Date: June 30, 2007

Distributable Date: July 15, 2007

Record and Payable Date: September 30, 2007

Distributable Date: October 15, 2007

Record and Payable Date: December 31, 2007

Distributable Date: January 15, 2008

Annual Meeting

The Annual Meeting of Unitholders of North West Company Fund will be held on Tuesday, June 5, 2007 at 11:30 am in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba.

Transfer Agent and Registrar

CIBC Mellon Trust Company

Calgary and Toronto

Toll-free: 1 800 387 0825

www.cibcmellon.ca

Stock Exchange Listing

The Toronto Stock Exchange

Stock Symbol NWF.UN

TIN #: T 17 685 782

CUSIP #: 662906-10-6

Number of units outstanding at fiscal year end on a diluted basis: 48,378,000
Average number of units outstanding in 2006 on a diluted basis: 48,378,000

Auditors

PricewaterhouseCoopers LLP

Bankers

The Toronto-Dominion Bank

Bank of Montreal

Corporate Governance

Complete disclosure on North West Company Fund's corporate governance is provided in the Company's Management Information Circular, which is available on the Canadian Securities Administrators' website at www.sedar.com or in the investor section of The North West Company's website at www.northwest.ca

Officers

The North West Company Inc.
NWC GP Inc.
The North West Company LP

Ian Sutherland¹
Chairman

Edward S. Kennedy^{1,2,3}
President & CEO

Léo P. Charrière^{1,2,3}
Executive Vice-President & CFO

Russell J. Zwanka^{1,3}
Executive Vice-President,
Procurement & Marketing

Michael W. McMullen^{1,3}
Executive Vice-President,
Northern Canada Retail

Scott A. McKay^{1,3}
Vice-President & General Manager,
Giant Tiger, West

Karen J. Milani^{1,3}
Vice-President,
Human Resources

Kenneth M. Claudel^{1,3}
Vice-President,
Logistics & Supply Chain Services

John D. King^{1,2,3}
Vice-President,
Finance & Secretary

Gerald L. Mauthe^{1,3}
Vice-President,
Information Services

1 The North West Company Inc.
2 NWC GP Inc.
3 The North West Company LP

Officers & Directors

Principal Subsidiary Company
NWC (U.S.) Holdings Inc.
Principal Subsidiary Company of NWC
(U.S.) Holdings Inc.
Alaska Commercial Company

Edward S. Kennedy^{1,2}
Chairman & CEO

Rex A. Wilhelm^{1,2}
President

Henry J. Baldwin II^{1,2}
Vice-President,
Human Resources & Logistics

Léo P. Charrière^{1,2}
CFO

David M. Chatyrbok²
Vice-President,
Marketing

John D. King²
Secretary

Benjamin C. Piatt^{1,2}
Vice-President,
Market Development

Walter E. Pickett^{1,2}
Vice-President,
Store Operations

Reinhard Sedlacek²
Treasurer

1 Director
2 Officer

Trustees & Directors

North West Company Fund
The North West Company Inc.

Ian Sutherland

Edward S. Kennedy

David G. Broadhurst^{2,4}

Frank J. Coleman^{3,4}

Wendy F. Evans^{2,3}

Robert J. Kennedy^{1,3}

Gary J. Lukassen^{2,3}

Keith G. Martell^{1,2}

James G. Osborne^{2,4}

H. Sanford Riley^{1,3}

Committees

- 1 Corporate Governance & Nominating
- 2 Audit
- 3 Human Resources & Compensation
- 4 Pension



For additional copies of this report or for general information about the Fund or the Company, contact our Assistant Corporate Secretary:

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Thank you to all our employees who provided photos for this year's report.



The North West Company traces its roots to North America's first trading post, established at Waskaganish on James Bay in 1668. Our new corporate identity reflects the enterprising spirit that our people have fostered since day one—and builds on this venerable history. Nor'Westers have consistently been associated with the vision, hard work, and perseverance of the voyageurs who pushed past limits to further our Company's growth during the fur trade. Today, we continue to embrace this pioneering culture as enterprising and dependable "frontier merchants."

AR82

NORTH WEST COMPANY FUND 2006

Management's Discussion & Analysis and Consolidated Financial Statements



ENTERPRISING · SINCE 1668

Our purpose is to enhance lives by offering shopping choices that are convenient, dependable and lifestyle driven.

SUPPLIER · INVESTOR · CUSTOMER · EMPLOYEE · COMMUNITY

Management's Discussion & Analysis and Consolidated Financial Statements

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Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements on pages 19 to 29 which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are in Canadian dollars. The information contained in this MD&A is current to March 20, 2007, unless otherwise stated.

Forward-Looking Statements This MD&A contains forward-looking statements. These statements relate to, among other things, sales growth, expansion, capital expenditures and the Company's business strategy. Forward-looking statements are subject to uncertainties and risks. These include industry and economic conditions; changes in our relationship with our communities and suppliers; pricing pressure and other competitive factors; the availability and cost of merchandise, fuels and utilities; the results of our efforts to improve cost effectiveness; the rates of return on the Company's pension plan assets; changes in regulations; and the availability and terms of financing. These types of risks are outlined in the Risk Management section of this MD&A. The Company's results and events may vary significantly from those included in, contemplated or implied by the forward-looking statements in this MD&A.

Additional information on the Company, including our Annual Information Form, can be found on SEDAR at www.sedar.com or on the Company's website at www.northwest.ca.

Management's Discussion & Analysis

VISION AND CORE BUSINESSES

Strong Values, Solid Returns The North West Company (NWC) is a leading retailer of food and everyday products and services to rural communities and urban neighbourhoods across Canada and Alaska.

The Company's core strengths start with our unique understanding and experience in localized retailing applied to remote, rural and urban neighbourhood markets, our knowledge in serving Aboriginal customers and their communities and our ability to leverage these strengths to serve customers within other attractive niche markets.

Our purpose is to enhance lives by offering shopping choices that are convenient, dependable and lifestyle driven. In striving to fulfill this purpose, we aim to:

- Continually enhance our strengths to maximize our core business' long-term profitability and enable related new growth opportunities;
- Actively support the communities in which we operate, contributing to their long-term development;
- Foster a spirit of enterprise and growth for our people, within a work environment characterized by respect, openness, encouragement, learning, innovation and reward for performance;
- Deliver stable top quartile total returns to our unitholders; and
- Demonstrate integrity in all facets of our business.

The Company's stores have continuously served markets in northern Canada and Alaska, through predecessor companies, for 338 years.

The Largest "Small Market" Retailer The North West Company is a leading small market retailer in North America with operations across northern and western Canada and rural Alaska. NWC's stores offer a broad range of products and services with an emphasis on food retailing. Our value offer is to be the best local shopping choice for everyday household and local lifestyle needs.

The Company's stores have continuously served markets in northern Canada and Alaska, through predecessor companies, for 338 years. These stores operate in communities with populations from 500 to 7,000. A typical store is 7,500 square feet in size and offers food, family apparel, housewares, appliances, outdoor products, and services such as quick-service prepared food, catalogue ordering, money transfers and cheque cashing.

Since 2001, we have applied our expertise and infrastructure to new growth opportunities. These include wholesaling to independent stores and opening junior discount stores in rural communities and urban neighbourhoods in western Canada.

The North West Company delivers its products and services through the following retail banners and wholesale businesses in two reporting segments:

Canadian Operations

- **130 Northern** stores, offering a combination of food and general merchandise to northern Canadian communities;
- **20 Giant Tiger** junior discount stores offering family fashion, household products and food at convenient locations in Manitoba, Saskatchewan and Alberta;
- **5 NorthMart** stores, targeted at larger, regional markets and offering an expanded selection of fashion merchandise and fresh food;
- **10 Quickstop** convenience stores, offering prepared foods, petroleum products and a full convenience assortment;
- **Selections** catalogue, more than 305,000 of which are distributed across northern Canada, featuring everything from fashion and snowmobiles to computers and boats;
- **Crescent Multi Foods (CMF)**, a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario;
- **3 North West Company Fur Marketing** outlets, offering Aboriginal handicrafts and authentic Canadian heritage products, as well as wild furs; and
- **The Inuit Art Marketing Service**, Canada's largest distributor of Inuit art.

U.S. Operations (AC)

- **29 AC Value Centers**, offering a combination of food and general merchandise to communities across rural Alaska;
- **3 Quickstop** convenience stores, offering prepared foods, petroleum products and a full convenience assortment; and
- **Frontier Expeditors (FE)**, a distributor of food and general merchandise to independent grocery stores in rural Alaska.

STRATEGIES

The Company's long-range plans are typically developed in five-year cycles and are reviewed and adjusted through an annual operating plan. The most recent long-range plan was completed in 2004 and sets out key strategies together with operating and financial goals.

The Company's first strategic priority is to ensure that its existing retail store base continues to deliver both stability and growth in earnings. Second, we aim to take advantage of related opportunities through new store growth in Canada and Alaska, expansion of our wholesaling customer base and through acquisitions.

Our store banners have produced consistent profit improvement over the past 10 years. Food market share and margin rates have increased through better sourcing of our store-branded products that offer a value alternative to national brands, and by building on our store-level capability with training, new technology and best practices. We have also pursued new product and service opportunities and new store growth in southeast Alaska and in urban neighbourhoods in western Canada. These initiatives have more than offset a lack of new remote store locations in northern Canada and profit erosion in some of our general merchandise product categories due to increased competition.

Being able to cater to local markets better than our competition is a key strategy for North West. Store management selection and development, store-level merchandise ordering and community relations, and profit-sharing incentive plans are all ingredients of the business model we have built to support this strategy. We believe that continued enhancement of our localization skills, while still ensuring that we leverage our scale, is an essential component in meeting the different customer needs of the markets we serve.

Our food merchandising strategy for our Northern and NorthMart stores was adjusted in 2005 to place more emphasis on lower pricing in select product categories, in addition to more new item and "special buys". This focus will continue into 2007. In general merchandise the priority continues to be on increasing profitability through better supply chain and store-based ordering practices. At store level we have several more years of opportunity to improve capability through investments in technology, improvements in work methods and by upgrading the skills of our store teams.

Our store banners have produced consistent profit improvement over the past 10 years.

Our store network provides us with the financial resources, stability and knowledge to pursue expansion into related markets, products and services. We are opportunistic in pursuing new ventures, such as the expansion of retail gas outlets at our Northern and NorthMart banner stores and the roll-out of Giant Tiger stores in western Canada. We also focus on ensuring that the risk/return profile of these ventures has a high potential to be close to that of our existing store base. This requires looking at the long-term potential of a store or new product or services and the probability of achieving threshold returns on a sustainable, consistent basis. We place a heavy weighting on new ideas, clear principles, execution and the ability to track performance.

Our wholesaling expansion plans are centered on Crescent Multi Foods (CMF) in western Canada and Frontier Expeditors (FE) in Alaska. Over the past few years, we have centralized into CMF meat procurement and distribution for our own stores in western Canada. In 2007, we will continue an assessment of the potential to increase CMF's business by adding more product lines and targeting new geographic regions in the western Canadian independent wholesale market.

Similarly, we see potential to continue winning market share for FE in rural Alaska. FE is one of only two food distributors in the state with a local warehouse facility and is well-positioned for continued growth as a full-service, one-stop, food and general merchandise supplier to small independent retailers.

KEY PERFORMANCE DRIVERS AND CAPABILITIES TO DELIVER RESULTS

The ability to protect and enhance the profitability of our existing, mature store locations. These stores represent more than 90% of our profitability. Although we expect this percentage to diminish over the next five years as we expand the number of new stores in western Canada and Alaska and grow our wholesale businesses, our existing mature stores will be the core performance drivers for many years to come.

Our distribution payout guideline of approximately 50% of operating cash flow ensures that we have adequate capital to sustain our existing store base and to pursue growth opportunities. Our sustaining-type investments include non-capital expenditures, specifically improvements to our in-store capabilities through more in-depth training programs and the ongoing implementation of "best practice" work processes. Sustaining our existing store performance of consistent growth also depends on continuing to enhance our market share position while maintaining margin rate gains. We measure and track our sales performance by sales per capita, unit volume growth, transaction size, private label penetration and net contribution by merchandise or service category.

CHANGES DURING 2006

The ability to tailor our product/service mix, community support and employment benefits to each market we serve while still realizing the scale efficiencies of our size or the size of our alliance partners. This is our localization strategy. A broad range of products, services and store sizes, combined with flexible technology platforms and “best practice” work processes are all required to give us the ability to achieve this goal.

The ability to continue the successful roll-out of new stores. In the past two fiscal years we opened or acquired 17 new stores. Continuing this rate of growth depends on our ability to find viable sites in Alaska and Canada and meeting or exceeding sales and margin levels of existing comparable stores. Other success factors relate to achieving comparable product sourcing and operating and transportation costs while building strong, entrepreneurial store teams.

Our ability to achieve best selling practices and reinforce community relations in our remote stores. We began developing store capability initiatives in 2001. We have since invested in the core store technology platforms required and have built a solid base of best practice work methods. We continue to modify store processes to fully leverage our technology, specifically in the areas of communications, merchandise ordering, staff scheduling and training. In 2007 and beyond, management and staff development will continue to accelerate, concentrating on upgrading manager skills and improving recruitment. The latter initiative recognizes the important role played by our store managers compared to other retail store models and the fact that the remoteness of our store locations creates challenges in attracting and retaining high potential people. Related to this is our ongoing ability to develop local management and to foster positive community relationships especially within the Aboriginal markets we serve.

Our ability to reduce costs across all of our store banners, improve competitiveness and create more time and skill at store level to order and sell merchandise. One of our key goals is to shift more staff time and skill towards ordering and selling merchandise tailored to the unique markets we serve while reducing costs in the non-selling facets of store work. Cost savings are targeted in labour scheduling, energy usage and product shrinkage. We have also developed alliances with other merchandisers to provide sales and distribution services for certain products and services where we do not have the scale to achieve a lower cost structure on our own. For example, under our alliance with Dufresne Furniture and Appliances of Winnipeg, Dufresne manages product assortment, marketing and distribution for the furniture and appliance categories in our Northern and NorthMart store banners. This has given us access to expertise and buying power and has allowed us to reduce inventories. We plan to continue to nurture these alliances and complement them with direct sourcing opportunities across North America and Asia.

Change in fiscal year In 2006, the Fund adopted a fixed fiscal year end of January 31 compared to the last Saturday in January used in prior years. Accordingly, the year ended January 31, 2007 has 368 days of operations compared to 364 days of operations in 2005. All references to 2006 same store sales in the Management's Discussion & Analysis have been reported on an equivalent 52-week basis.

Unit split On September 20, 2006, the Fund's units were split on a three-for-one basis whereby unitholders received two additional units for each unit held on the record date. All references to prior year per unit information has been restated to reflect the unit split.

Reorganization When the North West Company Fund (Fund or NWF) was established in 1997, it invested in the operating company, The North West Company Inc., in the form of loans and preferred shares. Interest on the loans paid to the Fund reduced the taxable earnings of the operating company to a nominal level. As the earnings in the operating company increased, the preferred shares were converted to loans which increased the amount of interest paid to the Fund. In the past few years the earnings in the operating company exceeded the interest paid to the Fund and therefore the increases in earnings were fully taxable. On April 30, 2006, the Company completed the first step of the reorganization whereby the majority of the Canadian business assets were transferred to a limited partnership (LP). As a result of the limited partnership structure, most of the earnings growth over the 2005 levels will flow to the Fund on a more tax-efficient basis than in prior years.

The second step of the reorganization will change the flow of earnings from the LP to the Fund. The partnership units held by The North West Company Inc. and the Tora group of companies will be transferred to the Fund through a series of steps outlined in the Information Circular dated April 21, 2006. The outcome will have most of the Canadian pre-tax earnings flow to the Fund. The completion of the second step is subject to receiving a satisfactory tax ruling from the Canada Revenue Agency (CRA) and lender approvals. The Company has submitted its request for a ruling on the second step of the reorganization and has been corresponding with the CRA on various aspects of the ruling request. Management expects a response on the ruling request by June 2007.

We continue to modify store processes to fully leverage our technology, specifically in the areas of communications, merchandise ordering, staff scheduling and training.

Consolidated Results

2006 Highlights

- Sales increased 11.2% to \$944.9 million, led by a strong food sales increase of 11.3%.
- Trading profit in Canada increased 15.8% to \$81.7 million reflecting our strong sales growth.
- Return on net assets improved to 19.7%, our sixth consecutive year of improving asset productivity.
- Return on equity improved to 21.7%, as a result of strong earnings growth.
- Total returns to investors were 39% after a 30% total return in 2005.
- The North West Company Fund was added to the S&P/TSX Composite Index on March 19, 2007.

Some of the key performance indicators used by management to assess results are summarized in the following table:

Key Performance Indicators

(\$ in thousands, except per unit)	2006	2005	2004
Sales	\$ 944,924	\$ 849,653	\$ 788,693
Same store sales % increase ¹	5.8%	5.4%	1.4%
Trading profit ²	\$ 96,369	\$ 85,502	\$ 76,606
Net earnings	\$ 53,660	\$ 42,890	\$ 37,265
Net earnings per unit—basic ³	\$ 1.13	\$ 0.90	\$ 0.78
Net earnings per unit—diluted ³	\$ 1.12	\$ 0.89	\$ 0.77
Cash distributions in the year ³	\$ 0.80	\$ 0.63	\$ 0.60
Total assets	\$ 441,869	\$ 423,849	\$ 414,477
Return on net assets ⁴	19.7%	16.6%	14.8%
Return on average equity	21.7%	18.0%	16.2%

1 Same store sales excluding the foreign exchange impact

2 See Non-GAAP measures section on page 17

3 Per unit information has been restated to reflect the September 20, 2006 three-for-one unit split

4 Earnings before interest and income taxes as a percentage of average net assets employed

Consolidated Sales

Sales for the year ending January 31, 2007 increased 11.2% to \$944.9 million compared to \$849.7 million for the year ending January 28, 2006. The 2006 fiscal year had 368 days of operations compared to 364 days of operations in 2005 as a result of changing the year end from the last Saturday in January to January 31. On an equivalent 52-week basis, sales increased 10.2% and were up 11.3% excluding the foreign exchange impact. Same store sales increased 4.7% and were up 5.8% excluding the foreign exchange impact.

Food sales exceeded our targets with an increase of 11.3% over 2005. Same store food sales excluding the foreign exchange impact increased 6.9% over last year with quarterly same store increases of 7.6%, 5.7%, 7.8%, and 6.9%. Canadian food sales increased 11.5% and Alaska food sales were up 17.2%, excluding the foreign exchange impact.

General merchandise sales increased 10.6% over 2005 with the majority of the increase coming from new stores. Same store sales excluding the foreign exchange impact increased by 2.7% with quarterly same store sales increases of 0.1%, 0.9%, 4.3% and a fourth quarter increase of 4.7%. Sales were soft in the first half of the year as disposable income for discretionary general merchandise purchases was impacted by reduced credit capacity and higher energy-related living costs. Sales were stronger in the back half of the year led by a same store sales increase in Alaska of 21.0% (excluding the foreign exchange impact) in the fourth quarter.

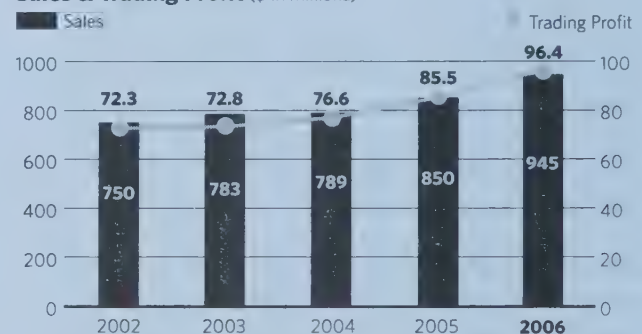
Other revenue which includes gas, fur and service charge revenue increased 14.5% over 2005 mainly due to an increase in the number of gas bars.

Canadian sales accounted for 81.4 % of total sales (81.1% in 2005) while Alaska contributed 18.6% (18.9% in 2005). The Canadian dollar's appreciation versus the U.S. dollar in 2006 affected results as follows:

Sales decrease of \$10.6 million or 1.2%
 Trading profit decrease of \$885,000
 Net earnings decrease of \$429,000

Over the past two years, the appreciation of the Canadian dollar negatively impacted sales by \$22.4 million, trading profit by \$2.0 million and net earnings by \$977,000.

Sales & Trading Profit (\$ in millions)



Cost of sales, selling and administrative Cost of sales, selling and administrative expenses (expenses) increased 11.0% to \$848.6 million but decreased 14 basis points as a percentage to sales. New and non-comparable store expenses accounted for approximately 67% of the increase. Comparable expenses increased \$28.2 million but decreased 57 basis points as a percentage of sales. Higher energy-related costs, an increase in pension expense, higher incentive program payments reflecting above target performance in 2006, costs related to the creation of the limited partnership structure and an expense relating to a potential IRS housing benefit assessment in Alaska contributed to a higher than normal increase in expenses.

Amortization Amortization expense increased \$1.2 million or 4.6% to \$26.2 million from 2005. New and non-comparable stores accounted for 53% of the increase with the remaining balance due to higher capital expenditures compared to last year for store renewal programs and additions of gas bars to existing stores.

Interest expense Interest expense increased 11.8% to \$6.8 million. The increase in interest expense was due to higher interest rates during the year, with the average cost of borrowing on interest-bearing debt at 6.3% compared to 4.9% in 2005. The impact of higher interest rates was partially offset by lower average debt levels compared to last year.

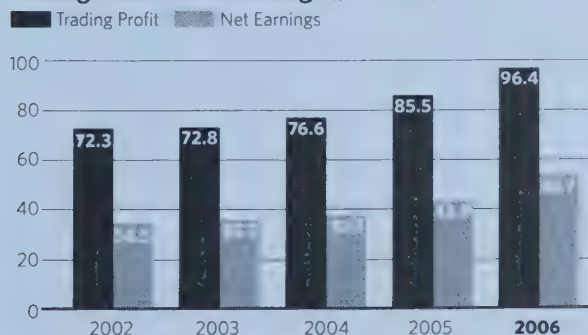
Income tax expense NWF recorded a provision for income taxes in 2006 of \$9.7 million, compared to \$11.5 million in 2005, for an effective tax rate of 15.3% in 2006 compared to 21.1% in 2005. The decrease in the effective tax rate is due to the impact of the limited partnership (LP) structure implemented April 30, 2006 which enabled the increased earnings to flow to the Fund on a more tax-efficient basis than in the prior year. The timing of the creation of the LP also resulted in the highest income months from May through December being reported in the LP. The decrease in income tax expense is due to the strong earnings growth in the limited partnership for the eight months ended December 31, 2006, a higher portion of which flowed to the Fund as the lower income from January to April was outside the limited partnership. If the LP structure had been in place for the full year, consolidated income tax expense would have increased by approximately \$1.5 million as more of the LP's income would have been distributed to The North West Company Inc. and subject to income tax. This increase in the distribution of income to The North West Company Inc. would have reduced the earnings available in the LP to flow to the Fund.

Future income taxes on the balance sheet increased to \$9.1 million from \$7.5 million last year as a result of an increase in other temporary differences.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

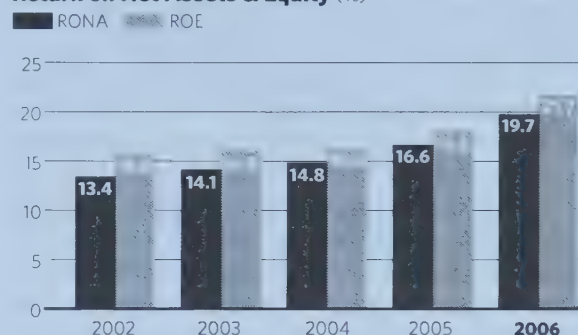
A more detailed explanation of the income tax provision and future tax assets is provided in Note 12 to the consolidated financial statements.

Trading Profit & Net Earnings (\$ in millions)



Net earnings Consolidated net earnings increased 25.1% to \$53.7 million or \$1.12 per unit on a diluted basis compared to \$0.89 per unit in 2005. The impact of the stronger Canadian dollar reduced net earnings by \$429,000 or \$0.01 per unit. Return on net assets employed increased to 19.7% from 16.6% in 2005 while the return on equity improved to 21.7% from 18.0% in 2005. Return on net assets improved primarily due to the increase in EBIT.

Return on Net Assets & Equity (%)



Fourth Quarter Highlights Fourth quarter consolidated sales increased 15.6% to \$262.5 million compared to \$227.0 million in 2005. The quarter had four additional days of operations compared to last year as a result of changing the year end to January 31. On an equivalent 13-week basis sales increased 11.9% and were up 6.2% on a same store basis. The impact of foreign exchange on the conversion of Alaska sales in the quarter was not significant. Food sales increased 16.4% and were up 6.9% on an equivalent 13-week same store basis. General merchandise sales improved by 13.5% as a result of new stores in Canada and Alaska and were up 4.7% on an equivalent 13-week same store basis.

Cost of sales, selling and administrative expenses (expenses) increased 16.5% to \$236.4 million and increased 66 basis points as a percentage to sales compared to the fourth quarter of 2005. New and non-comparable store expenses accounted for approximately 66% of the increase. Administration costs increased at a higher than normal rate due to legal and accounting expenses related to the restructuring of the Canadian operations into a limited partnership, higher pension expenses and a US\$1.4 million expense related to a potential Internal Revenue Service assessment on housing benefits provided to our employees in 2004 to 2006. These items accounted for \$2.7 million in incremental expenses in the quarter.

Canadian Operations

2006 CANADIAN OPERATIONS STRATEGIC INITIATIVES

Strategy	Results
1. Food sales growth will continue to be our first priority for market share growth Increase food sales through re-launch of private label store brands and a focus on fresh new items "special buys" and ready-to-serve products	Same store food sales increased 7.3%
2. Complete an assessment of wholesale distribution opportunities in northwestern Ontario and western Canada Our target concept is a one-stop service for the small, independent retailer serving rural towns and inner cities	Market analysis has been completed and information systems are being upgraded to support an expanded product assortment for wholesale customers. Testing with customers will begin in the second half of 2007
3. Expand healthcare product offering Open two in-store pharmacies for a total of five and develop five telepharmacy sites	Two in-store pharmacies and one telepharmacy were opened in 2006. Two more telepharmacies are waiting for regulatory approval
4. Open six new stores	Five stores were opened under the Giant Tiger banner
5. Expand gas and convenience store concept Open five new gas bars	Six gas bars were opened in 2006 for a total of 45
6. Expand sales of motor vehicles	Sales of motor vehicles met our expectations in 2006

Financial Performance Results of Canadian operations are summarized below by the key performance indicators used by management.

Key Performance Indicators

(\$ in thousands)	2006	2005	2004
Sales	\$ 769,633	\$ 689,340	\$ 629,823
Same store sales % increase	5.9%	5.4%	0.9%
Trading profit ¹	\$ 81,730	\$ 70,561	\$ 62,629
EBIT ¹	\$ 59,482	\$ 49,458	\$ 42,652
Return on net assets ²	20.2%	16.4%	14.7%

1 See Non-GAAP measures section on page 17

2 Return on net assets is 19.8% excluding the impact of the four additional days of operations in 2006

Trading profit or net earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 8.5% to \$26.1 million compared to \$24.1 million in the fourth quarter last year. Negatively impacting the trading profit was \$2.7 million in expense items mentioned above which was partially offset by a \$1.4 million increase in trading profit related to the additional four days of operations. Sales growth in Canada and Alaska and gross profit rate increases in our Canadian operations were the leading factors contributing to trading profit improvement in the quarter. Amortization expense increased \$437,000 or 6.9% to \$6.8 million. Amortization expense related to business acquisitions and new stores accounted for the majority of the increase. Interest expense increased 15.3% to \$1.8 million due to higher interest rates compared to the fourth quarter last year which was partially offset by lower average debt outstanding in the quarter. Income taxes decreased 68.5% to \$1.3 million and as a percentage of net earnings before tax decreased to 7.2% compared to 24.7% last year. The decrease in income tax expense is due to lower income taxes in the Canadian operations as a result of the limited partnership structure implemented at the beginning of the second quarter.

Net earnings increased \$4.1 million or 33.7% to \$16.3 million. Diluted earnings per unit improved to \$0.34 compared to \$0.25 last year. The stronger Canadian dollar did not have a significant impact on the conversion of Alaska quarterly earnings on a per unit basis.

Cash flow from operating activities for the quarter decreased to \$31.8 million from \$39.8 million last year. Cash provided by a positive change in non-cash working capital in the quarter was \$8.7 million compared to a \$20.7 million improvement last year. The \$8.7 million in non-cash working capital in the quarter reflects the initiative to improve inventory productivity which began during the 2005 year and an increase in accounts payable. The decrease in inventory and increase in accounts payable were also leading factors contributing to the \$20.7 million in cash provided by non-cash working capital in the 2005 fourth quarter. Cash flow from operations increased \$3.6 million to \$23.0 million due to higher earnings resulting from strong sales growth and lower income tax expense.

Cash flow used in investing activities in the quarter increased to \$10.9 million from \$6.2 million last year. The increase in capital expenditures is due to the replacement of one large store in an existing market.

Cash used in financing activities in the quarter was \$20.6 million compared to \$34.9 million last year. The decrease in cash used in financing activities is due to a smaller reduction in bank advances and short-term notes in the quarter compared to the fourth quarter last year.

Sales Canadian sales increased 11.7% to \$769.6 million compared to \$689.3 million in 2005 and were up 10.6% on an equivalent 52-week basis. Same store sales increased 5.9% compared to a 5.4% increase in 2005. Canadian food sales accounted for 68.2% (68.3% in 2005) of total sales. The balance was made up of general merchandise sales at 27.2% (27.2% in 2005) and other sales, which consists primarily of fuel sales and service charge revenue at 4.6% (4.5% in 2005).

Food sales increased by 11.5% over 2005 and were up 10.3% on an equivalent 52-week basis. Food sales were strong throughout the year with same store quarterly sales increases of 7.9%, 6.1%, 8.4% and 7.1% and were up 7.3% on an annual basis compared to a 6.2% increase in 2005. Sales gains were achieved in all food categories with grocery, tobacco, beverages, and chilled foods having the largest increase over last year. Our focus on flowing new, fresh, exciting merchandise and an expansion of store brands combined with a better in-stock position contributed to the sales gains. Inflation, driven by higher fuel-related transportation costs, also contributed to the increase in food sales.

General merchandise sales increased 11.5% over 2005 and were up 10.8% on an equivalent 52-week basis. Same store sales increased 2.5% compared to an increase of 3.4% in 2005. Quarterly same store sales were up slightly in the first quarter with an increase of 0.6% but gained momentum with increases of 1.8%, 4.3% and 3.1% in the last three quarters of the year. Electronics and apparel categories had the largest sales increase over the prior year.

Canadian sales per selling square foot on an equivalent 52-week basis were \$1,084 for food (\$1,015 in 2005) reflecting continued strong food sales growth and were \$276 for general merchandise (\$271 in 2005).

Other revenues, which include gas, fur and service charge revenues, were up 15.2% over 2005 primarily due to the growth in gas sales from existing and new gas bars.

Sales Blend The chart below reflects the importance of food sales to the overall sales of the Canadian operations:

	2006	2005	2004
Food	68.2%	68.3%	68.5%
General merchandise	27.2%	27.2%	27.5%
Other	4.6%	4.5%	4.0%

Same store food sales have performed consistently at industry-leading levels while general merchandise sales have performed consistent with the industry.

Same Store Sales

(% change)	2006	2005	2004
Food	7.3%	6.2%	2.5%
General merchandise	2.5%	3.4%	-2.8%
Total sales	5.9%	5.4%	0.9%

Profitability Gross profit dollars for Canadian operations increased by 12.6% as a result of strong sales growth and a 26 basis point increase in gross profit rates. Sales gains particularly in higher margin food and general merchandise categories contributed to the increase in gross profit dollars and gross profit rate improvement. The increase in gross profit dollars more than offset higher operating expenses which were up 9.4% over 2005. Higher energy-related expenses and rising staff costs as result of competition for entry level and store management positions in many of our markets were key factors contributing to the increase in operating expenses.

Trading profit from Canadian operations increased \$11.2 million or 15.8% to \$81.7 million and was up 14.1% on an equivalent 52-week basis. As a rate to sales, trading profit improved by 38 basis points to 10.6% of sales.

Operational Net Assets Employed Operational net assets employed at January 31, 2007, decreased 0.7% to \$278.2 million compared to \$280.1 million at the previous year end as summarized in the following table:

Operational Net Assets Employed

(\$ millions at the end of the fiscal year)	2006	2005	2004
Property and equipment	\$ 150.9	\$ 145.6	\$ 147.3
Inventory	106.2	105.9	102.8
Accounts receivable	60.6	60.1	61.6
Other assets	27.8	25.9	16.1
Liabilities	(67.3)	(57.4)	(44.8)
Total	\$ 278.2	\$ 280.1	\$ 283.0

Property and equipment balances increased reflecting the acquisition of a retail pharmacy in Moosonee, Ontario, the opening of five new stores, new gas bars, and the replacement of one large store in an existing market.

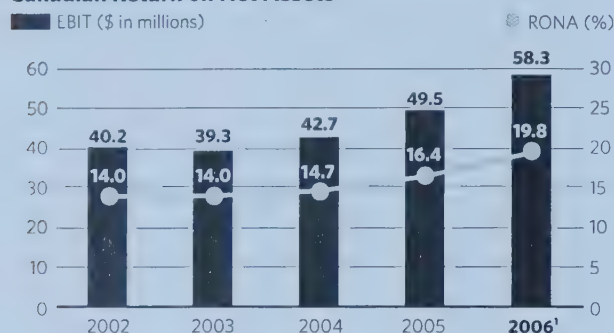
Inventory productivity continued to improve in 2006 as inventory levels remained flat with the previous year despite the Moosonee pharmacy acquisition (see Note 19) and the addition of five new stores. Same store general merchandise inventories decreased due to targeted reductions in slow moving categories and improvements in the flow of merchandise to our stores. The efforts to reduce general merchandise inventories and improve inventory productivity were partially offset by higher freight costs in ending inventory and the increase in inventory from new stores.

Accounts receivable averaged \$1.1 million lower than last year reflecting lower big-ticket sales, particularly in the first half of the year, and ongoing efforts to improve accounts receivable productivity.

Other assets increased due to the non-compete intangible asset acquired as part of the Moosonee pharmacy acquisition. The increase in liabilities over the prior year is due in part to higher performance incentive accruals reflecting the earnings improvement for the year and the accrual of a \$4.8 million extra distribution to unitholders of record on December 31, 2006 and paid on February 23, 2007.

Return on Net Assets The return on net assets employed for Canadian operations was 20.2% (19.8% on an equivalent 52-week basis), up from 16.4% in 2005. The improvement in return on net assets was driven by the 20.3% increase in EBIT. We believe there are opportunities for further improvement as we continue our efforts to increase working capital productivity primarily through targeted inventory reductions.

Canadian Return on Net Assets



¹ EBIT and Return on net assets on an equivalent 52-week basis

Alaskan Operations (Stated in U.S. dollars)

2006 ALASKAN OPERATIONS STRATEGIC INITIATIVES

Strategy	Results
1. Food sales growth will continue to be our first priority for market share growth	Same store food sales increased 4.9%
2. Acquire and develop new store locations	Four stores were acquired on Prince of Wales Island, Alaska in 2006 and a gas bar was opened in February 2007. A new QuickStop convenience store was opened in an existing market
3. Increase wholesale customer base	The wholesale division's sales increased 11.7% as FE added new accounts and increased the average order size
4. Test the sale of motor vehicles	In 2006 we introduced motor vehicles to our merchandise assortment. Sales were less than we expected due to customer loyalty to conventional auto dealers. We are continuing to assess the viability of selling vehicles in Alaska

Financial Performance Alaskan results for the year are summarized below by the key performance indicators.

Key Performance Indicators

(\$ in thousands)	2006	2005	2004
Sales	\$ 154,237	\$ 133,018	\$ 122,813
Same store sales % increase	4.8%	5.7%	3.7%
Trading profit ¹	\$ 12,881	\$ 12,397	\$ 10,805
EBIT ¹	\$ 9,428	\$ 9,153	\$ 7,768
Return on net assets ²	17.1%	17.7%	15.5%

1 See Non-GAAP measures section on page 17

2 Return on net assets is 19.2% excluding the impact of the \$1.4 million IRS housing benefit assessment and the impact of the four additional days of operations in 2006

Sales AC's sales increased 16.0% to \$154.2 million compared to \$133.0 million in 2005 and were up 15.0% on an equivalent 52-week basis. Same store sales increased 4.8% compared to a 5.7% increase in 2005. Food sales accounted for 81.3% (80.4% in 2005) of total sales with the balance comprised of general merchandise at 17.5% (18.3% in 2005) and other sales, which consists primarily of fuel sales and service charge revenues, at 1.2% (1.3% in 2005).

Food sales increased 17.2% over 2005 and were up 16.2% on an equivalent 52-week basis. Same store food sales were up 4.9% compared to a 6.8% increase in 2005. On a quarterly same store basis, food sales increased 5.6%, 3.9%, 4.9%, and 5.5%. Food sales increased over the prior year in all categories with grocery, beverages, produce and non-food categories accounting for the biggest sales increases.

General merchandise sales increased 10.8% and were up 10.1% on an equivalent 52-week basis. General merchandise sales were soft in the first half of the year with same store sales decreases of 4.2% and 5.5% in the first and second quarter due to lower discretionary income, particularly in communities where the economy is dependant on commercial fishing. General merchandise sales rebounded strongly in the second half of the year with same store sales increases of 4.7% and 21.0% in the third and fourth quarters as we leveraged the 30.9% increase in the permanent fund dividend paid to Alaskan residents with a strong in-stock position. General merchandise sales for the year were up in all categories over last year with the largest increases in electronics, toys and seasonal, housewares and home furnishings.

Other revenues, which consist of gas and service charge revenue were up 10.2% over 2005.

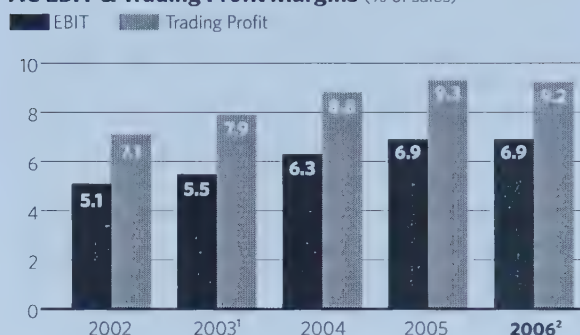
Sales per selling square foot on an equivalent 52-week basis were \$703 for food (\$704 in 2005) and \$208 for general merchandise (\$202 in 2005). Food selling square footage accounted for 58% of total selling space compared to 56% in 2005. Same store sales for the past three years are shown in the following table:

Same Store Sales

(% change)	2006	2005	2004
Food	4.9%	6.8%	5.7%
General merchandise	4.3%	1.2%	-3.5%
Total sales	4.8%	5.7%	3.7%

Profitability Gross profit dollars increased 16.1% from 2005 driven by sales growth as gross profit rates were up only marginally from last year. Operating expenses increased 20.1% over last year and were up 91 basis points as a percent of sales. Higher energy-related expenses and costs associated with the clean up of a fuel spill contributed to the increase in operating expenses. AC also recorded a \$1.4 million expense for a potential reassessment relating to housing benefits provided to certain employees in Alaska for the years 2004 to 2006. The Company intends to appeal any amount assessed. Trading profit increased 3.9% to \$12.9 million. On an equivalent 52-week basis and excluding the impact of the provision for the employee housing benefits, trading profit increased 13.2% and as a rate to sales was 9.2% compared to 9.3% in 2005.

AC EBIT & Trading Profit Margins (% of sales)



1 Excludes gains from insurance proceeds

2 Equivalent 52-week basis excluding \$1.4 million IRS housing benefit assessment

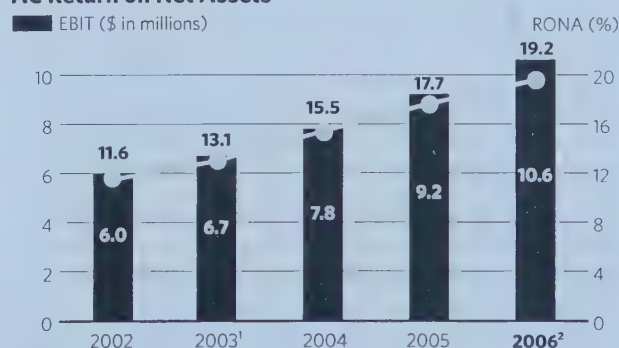
Operational Net Assets Employed

(\$ millions at the end of the fiscal year)	2006	2005	2004
Property and equipment	\$ 32.8	\$ 31.8	\$ 31.3
Inventory	18.9	16.2	15.9
Accounts receivable	7.3	6.4	6.0
Other assets	4.3	4.1	3.2
Liabilities	(8.8)	(6.6)	(6.3)
Total	\$ 54.5	\$ 51.9	\$ 50.1

AC's operational net assets employed increased 5.0% from the previous year. Property and equipment increased due to acquisition of four stores on Prince of Wales Island (see Note 19). Amortization expense increased 6.4% to \$3.5 million from 2005.

Inventories were up from last year due to the additional stores and higher food inventories in comparable stores due to longer lead times for stores supplied through the by-pass mail system. The increase in accounts receivable is due to higher customer receivables from the sales of big-ticket items in the fourth quarter. Liabilities increased as a result of the new stores and the provision for the employee housing benefit assessment.

AC Return on Net Assets



1 Excludes gains from insurance proceeds

2 Equivalent 52-week basis excluding \$1.4 million IRS housing benefit assessment

LIQUIDITY AND CAPITAL RESOURCES

Cash from operating activities Cash flow from operating activities increased \$6.2 million to \$81.5 million. Strong earnings growth driven by sales gains and lower income tax expense contributed to the increase.

Changes in non-cash working capital items contributed \$3.8 million in cash compared to \$9.9 million in 2005. The decreased contribution from non-cash working capital is due to increases in accounts receivable and inventories compared to 2005. The improvement in cash resulting from the change in other non-cash items is due to the 2005 additional contribution of \$7.2 million to the Company's pension plan.

Cash used in investing activities Net cash used in investing activities was \$35.5 million in 2006 compared to \$24.0 million in 2005. Net investing in Canadian operations was \$28.8 million including the pharmacy acquisition of \$2.3 million (\$19.5 million in 2005), and \$6.7 million in Alaska including the acquisition of four stores on Prince of Wales Island of \$3.2 million (\$4.5 million in 2005).

Capital expenditures in Canadian operations included five new stores, the replacement of one large store in an existing market, the opening of six gas bars, store renovations, equipment replacements, and investments in technology and support facilities. Capital expenditures in Alaska included the opening of a new convenience store in Bethel and equipment replacements.

In 2007, net capital expenditures are expected to be in the range of \$39 million to \$43 million. These expenditures include the opening of 10 new stores, four new gas bars, pharmacy openings and major renovation activity in six stores.

Cash used in financing activities Cash used in financing activities was \$45.8 million compared to \$40.9 in 2005. Distributions to our unitholders accounted for \$38.7 million or 84.5% of cash used in financing activities compared to \$30.3 million or 74.2% in 2005. Reductions in our operating line totalled \$5.5 million. The Board of Trustees authorized additional units during the year under the Company's Unit Purchase Loan Plan which encourages unit ownership among senior management. The additional loan amount, net of repayments, was \$1.5 million.

Sources of liquidity The Company has credit facilities of up to \$85.0 million with two Canadian chartered banks. At year end, \$21.6 million was drawn on these facilities. AC has an operating loan facility of US\$4.0 million available and no amount was drawn at January 31, 2007. The bank operating lines are renewable annually.

In 2002, the Company issued senior notes of US\$65.0 million at a rate of 5.89%. Repayments of 20% of the original amount of the senior notes are required on June 15, 2007 and June 15, 2008 with the balance due June 15, 2009.

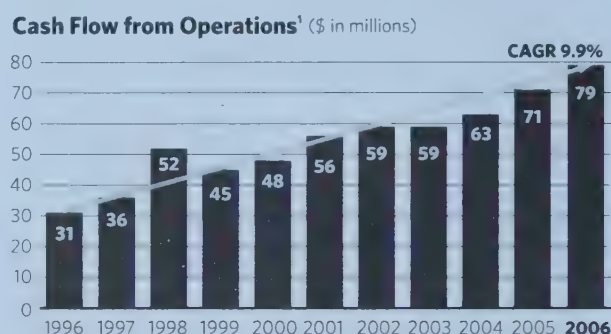
A swap was completed on September 11, 2002 to convert US\$14.0 million of the US\$65.0 million obligation from fixed to floating rates at three-month London Interbank Offered Rate (LIBOR) plus 1.87%.

The Company designated US\$45.0 million of its new U.S. dollar senior notes as a hedge against its U.S. dollar investment in AC. On November 7, 2002, US\$20.0 million fixed obligation was converted by a cross-currency swap to a Canadian dollar-floating obligation at the Canadian Banker's Acceptance three-months rate plus 2.99%. On January 24, 2003, an additional US\$2.0 million of the fixed obligation was converted by a cross-currency swap to a Canadian dollar-floating obligation at the Canadian Banker's Acceptance three-months rate plus 3.16%. This swap reduced the hedge to US\$43.0 million to recognize the earnings at AC in 2002 and the reduction of the investment due to repayments on inter-company notes.

This leaves US\$29.0 million of the original senior notes fixed at an interest rate of 5.89% and the remainder of the indebtedness subject to floating rates plus negotiated spread.

Cash flow from operations and unutilized credit available on existing credit facilities are expected to be sufficient to fund operating requirements, sustaining and growth-related capital expenditures, a long-term debt principal repayment due June 15, 2007 as well as anticipated distributions during 2007.

The compound annual growth rate (CAGR) for cash flow from operations over the past 10 years is 9.9% as shown in the following graph:



¹ See Non-GAAP measures section on page 17

The following table summarizes the number of stores and selling square footage under NWC's various retail banners at the end of the fiscal year:

	Number of Stores		Selling square footage	
	2006	2005	2006	2005
Northern	130	131	763,294	771,265
NorthMart	5	5	125,084	125,084
Quickstop	13	12	21,651	16,753
Giant Tiger	19	14	303,103	225,962
AC Value Centers	29	25	300,876	267,304
Other formats	4	4	22,558	22,558
Total at year end	200	191	1,536,566	1,428,926

A Northern store in Harve St. Pierre, Quebec was closed in 2006. New Giant Tiger stores were opened in Yorkton, Saskatchewan, Winnipeg, Manitoba and in Grande Prairie, Calgary and Medicine Hat, Alberta. Total selling square feet in Canada increased to 1,225,825 from 1,156,607 in 2005.

Alaskan selling square feet increased to 310,741 from 272,319 in 2005 due to the acquisition of four stores on Prince of Wales, Island and the opening of a convenience store.

Contractual Obligations and Other Commitments

Contractual obligations of the Company are listed in the chart below:

(\$ in thousands)	Total	0-1 Year	2-3 Years	4-5 Years	5 Years +
Senior notes	\$ 84,780	\$ 20,168	\$ 64,612	\$ –	\$ –
Capital leases	1,142	123	288	355	376
Operating leases	95,166	11,819	19,666	16,269	47,412
Other obligations	1,710	1,710	–	–	–
Total	\$ 182,798	\$ 33,820	\$ 84,566	\$ 16,624	\$ 47,788

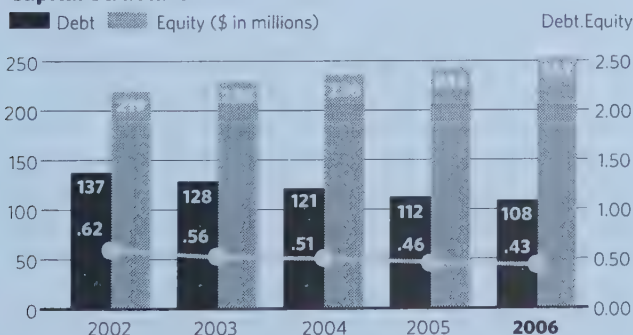
Director and Indemnification Agreements The Company has agreements with its current and former directors and officers to indemnify them against charges, costs, expenses, amounts paid in settlement and damages incurred from any lawsuit or any judicial, administrative or investigative proceeding in which they are sued as a result of their service. Due to the nature of these agreements the Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. The Company has also purchased directors' and officers' liability insurance. No amount has been recorded in the financial statements regarding these indemnification agreements.

Other Indemnification Agreements The Company provides indemnification agreements to counterparties for events such as intellectual property right infringement, loss or damages to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these agreements vary based on the specific contract. The Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. No amount has been recorded in the financial statements regarding these agreements.

Capital Structure

On a consolidated basis, NWF had \$107.5 million in debt and \$252.0 million in equity at the end of the year as the debt-to-equity ratio improved to .43:1 versus .46:1 a year earlier.

Capital Structure



The strengthening of the Fund's capital structure is reflected in the above chart. Over the past five years, NWF's debt-to-equity ratio has improved to .43:1 from .62:1 while annual distributions to unitholders have increased to \$0.90 per unit in 2006 from \$0.52 per unit in 2002. Equity has increased 14.9% to \$252.0 million over the past five years while interest-bearing debt was reduced by 21.4% to \$107.5 million from \$136.8 million in 2002.

Over the past two years, loans have been made to officers and selected senior management under the unit purchase loan plan, which has the effect of decreasing equity. These loans are non-interest bearing and repayable from the after-tax distributions or if the officer sells the units or leaves the Company. The loans are secured by a pledge of 752,704 units of the Company with a quoted value at January 31, 2007 of \$12.4 million. Loans receivable at January 31, 2007 of \$11.5 million (\$10.0 million in 2005) are recorded as a reduction of equity. The maximum value of the loans under the plan is currently limited to \$15.0 million.

Consolidated debt at January 31, 2007 decreased 3.7% or \$4.2 million to \$107.5 million. The reduction is due to lower bank debt. The debt outstanding at the end of the fiscal year is summarized as follows:

Debt

(\$ in thousands at the end of the fiscal year)	2006	2005	2004
Senior notes	\$ 84,780	\$ 83,412	\$ 87,484
Bank debt	21,581	27,041	32,023
Capital leases	1,142	1,220	1,425
Total	\$ 107,503	\$ 111,673	\$ 120,932

On September 20, 2006, the Fund's units were split on a three-for-one basis whereby each unitholder received two additional units for each unit held on the record date. On a split adjusted basis, the Fund's issued and outstanding units at January 31, 2007 were 48,378,000 (48,378,000 as at January 28, 2006).

Book value per unit, on a diluted basis, at the end of the year increased to \$5.45 from \$5.22 in 2005. Book equity was favourably affected by an increase in retained earnings of \$10.1 million (\$12.6 million in 2005) after distributions of \$43.5 million (\$30.3 million in 2005).

The coverage ratio of EBIT to interest improved to 10.3 times versus 9.9 times in 2005. The coverage ratio improved due to the increase in EBIT.

Interest Costs and Coverage

	2006	2005	2004
Coverage ratio	10.3	9.9	9.1
EBIT (\$ in millions)	70.2	60.5	52.7
Interest (\$ in millions)	6.8	6.1	5.8

RISK MANAGEMENT

NWC is exposed to a number of risks in its business. These risks relate to our industry, the market environment and the successful execution of our key strategies.

Store Capability Initiative This ongoing work involves programs to improve training and change the processes in our stores so we can better capitalize on local selling opportunities. The expected benefits are consistently strong operating standards, higher sales per capita in each market, increased efficiency and more rewarding and balanced work at the store level. Best Practices, in-depth new manager training, and advanced in-store systems are all directed at achieving these goals. The payback from this initiative will depend on our recruiting and retention success and our ability to effectively identify the right work and requisite training within a reasonable time period.

Competition We have a leading market position in a large percentage of the markets we serve. Sustaining and growing this position depends on our ability to more consistently identify and pursue new sales opportunities while defending our current positions through a superior value offer to our customers. We actively monitor competitive activity and we are proactive in adjusting and enhancing our value offer elements, ranging from in-stock position to service and pricing.

Community Relations Approximately one third of our sales is derived from communities and regions that restrict commercial land ownership and usage by non Aboriginal-owned businesses or which have enacted policies and regulations to support Aboriginal-owned businesses. We successfully operate within these environments through initiatives that promote positive community and customer relations. These include joint venture and store lease arrangements with community-based development organizations, initiatives to recruit local residents into management positions, increased Aboriginal participation in our Board of Directors and direct investment in the North West Company Fund by Aboriginal-owned entities.

Consumer Income Our largest customer group derives most of its income directly or indirectly from government transfer payments in the form of social assistance, child tax benefits and old age security. These are stable sources of income, independent of economic cycles. A major source of employment income is generated from local government and spending on infrastructure projects. This includes new housing, schools, healthcare facilities, roads and sewers. Local government employment levels will fluctuate within a year depending on a community's fiscal health, especially near the end of a budget year. A similar fluctuating source of income is employment related natural resource development and extraction activities.

Interest Rate and Currency Fluctuations NWC is exposed to fluctuations in interest rates and currency exchange rates under its borrowings. Through the use of certain financial instruments, US\$36.0 million of NWC's senior notes were effectively converted from fixed interest rate debt to floating interest rate debt and US\$43.0 million of NWC's senior notes were maintained in U.S. dollar obligations to hedge the Company's investment in AC. Fluctuations in the foreign exchange rates due to the stronger Canadian dollar reduced AC's earnings in 2006 by \$429,000 when converted to Canadian funds.

Energy Costs The Company is exposed to fluctuations in the price of energy, particularly oil. To the extent that escalating fuel costs cannot be offset by energy conservation practices or offsetting productivity gains, they may result in lower margins or higher retail prices. Consumer spending, especially on discretionary items, may also be adversely affected.

Income Taxes The Fund is an inter vivos trust for income tax purposes. All income of the Fund is distributed to Unitholders and, as such, no income tax is payable by the Fund.

Income taxes are accounted for by using the liability method of tax allocation. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively

enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be realized or settled. The provision for income taxes is recorded at applicable statutory rates.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

On October 31, 2006 the Federal Minister of Finance of the Government of Canada proposed to apply a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the unitholders (the "2006 Proposed Tax Changes"). Draft amendments to the Tax Act were released on December 21, 2006 to implement the 2006 Proposed Tax Changes. No legislation has been enacted to date, and significant issues outlined in the 2006 Proposed Tax Changes and various news releases from the Minister of Finance have yet to be reflected in the draft legislation. If the 2006 Proposed Tax Changes are enacted, interest amounts that are paid to the Fund, which are currently allowable as a deduction from taxable income of The North West Company Inc., and other income that flows on a pre-tax basis to the Fund will be taxed upon distribution from the Fund at a proposed rate of 31.5% beginning in 2011. It is not known at this time when the 2006 Proposed Tax Changes will be enacted by Parliament, if at all. Until the 2006 Proposed Tax Changes are passed into law, the Fund is unable to determine with certainty the ultimate impact of the new tax legislation on the operations, cashflows and distributions to Unitholders.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Management continually evaluates the estimates and assumptions it uses. These estimates and assumptions are based on management's historical experience, knowledge of current events, expectations of future outcomes and other factors that management considers reasonable under the circumstances. Actual results could differ from these estimates as confirming events occur. The estimates and assumptions described in this section depend upon subjective or complex judgments about matters that may be uncertain and changes in these estimates and assumptions could materially impact the consolidated financial statements.

Valuation of Accounts Receivable The Company records an allowance for doubtful accounts related to accounts receivable that may potentially be impaired. The allowance is based on the aging of the accounts receivable, our knowledge of our customers' financial condition, the current business environment and historical experience. A significant change in one or more of these factors could

impact the estimated allowance for doubtful accounts recorded in the consolidated balance sheet and the provision for bad debts recorded in the consolidated statement of earnings and retained earnings.

Valuation of Inventories Retail inventories are stated at the lower of cost and net realizable value less normal profit margins. Significant estimation or judgment is required in the determination of (1) discount factors used to convert inventory to cost after a physical count at retail has been completed; (2) recognizing merchandise for which the customer's perception of value has declined and appropriately marking the retail value of the merchandise down to the perceived value; and (3) estimating inventory losses, or shrinkage, occurring between the last physical count and the balance sheet date.

Food inventories counted at retail are converted to cost by applying a discount factor to retail selling prices. This discount factor is calculated in relation to historical gross margins and is reviewed on a regular basis for reasonableness. General merchandise inventories counted at retail are converted to cost by applying average cost factors by merchandise category. These cost factors represent the average cost-to-retail ratio for each merchandise category based on beginning inventory and purchases made throughout the year.

Inventory shrinkage is estimated as a percentage of sales for the period from the date of the last physical inventory count to the balance sheet date. The estimate is based on experience and the most recent physical inventory results. To the extent that actual losses experienced vary from those estimated, both inventories and cost of sales may be impacted.

Changes or differences in these estimates may result in changes to inventories on the consolidated balance sheet and a charge or credit to cost of sales in the consolidated statement of earnings and retained earnings.

Employee Future Benefits The cost and accrued benefit plan obligations of the Company's defined benefit pension plans are accrued based on actuarial valuations which are dependent on assumptions determined by management. These assumptions include the discount rate used to calculate benefit plan obligations, the expected long-term rate of return on plan assets, the rate of compensation increase, retirement ages, and mortality rates. These assumptions are reviewed by management and the Company's actuaries.

The discount rate used to calculate benefit plan obligations, the expected long-term rate of return on plan assets and the rate of compensation increase are the three most significant assumptions. The discount rate used to calculate benefit plan obligations is based on market interest rates, as at the Company's measurement date of January 31, 2007 on a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the accrued benefit plan obligations. The discount rates used to measure the benefit plan obligations for fiscal 2006 and 2005 were 5.3% and 5.0% respectively. The expected long-term rate of return on plan assets is based on historical returns, the asset mix and current investment yields. The expected long-term rate of return on plan assets for fiscal 2006 and 2005 is 7.0%. Management assumed the rate of compensation increase for fiscal 2006 and 2005 was 4.0%.

These assumptions may change in the future and may result in material changes in the accrued benefit obligation on the Company's consolidated balance sheet and the benefit plan

expense on the consolidated statement of earnings and retained earnings. The magnitude of any immediate impact, however, is mitigated by the fact that net actuarial gains and losses in excess of 10% of the greater of the accrued benefit plan obligation and the market value of the benefit plan assets are amortized on a straight-line basis over the average remaining service period of the employees expected to receive the benefits under the plan. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. Additional information regarding the Company's employee future benefits is provided in Note 15 to the consolidated financial statements.

Impairment of Long-lived Assets The Company periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying value of the asset, an impairment loss would be recognized based on the excess of the carrying value of the asset over the fair market value calculated using discounted future cash flows. The underlying estimates for cash flows include estimates for future sales, gross margin rates and store expenses, and are based upon the stores' past and expected future performance. Changes which may impact future cash flows include, but are not limited to, competition and general economic conditions and unrecoverable increases in operating costs. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheet and consolidated statement of earnings and retained earnings.

Income Taxes Future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and future income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment regarding the financial statement carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances. The future income tax assets and liabilities are also impacted by the interpretation of income tax legislation across various jurisdictions, expectations about future operating results and the timing of reversal of temporary differences, and possible audits of tax filings by the regulatory agencies.

Changes or differences in these estimates or assumptions may result in changes to the current or future income tax balances on the consolidated balance sheet, a charge or credit to income tax expense in the consolidated statement of earnings and may result in cash payments or receipts. Additional information on income taxes is provided in Note 12 to the consolidated financial statements.

DISCLOSURE CONTROLS

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on an evaluation of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures operated effectively as of January 31, 2007 to provide reasonable assurance that the information to be disclosed is recorded, summarized and reported as required.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management has designed the internal controls over financial reporting as of the end of the period covered by the annual filings, and believes the design is sufficient to provide such reasonable assurance. There have been no changes in the internal controls over financial reporting during the year ended January 31, 2007 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

OUTLOOK

2007 will be another high investment year for the Company as we pursue a number of attractive growth opportunities and reinvest in our existing stores. We expect same store sales to increase at a slightly lower rate than 2006 in part due to a moderation in the inflation rate experienced in 2006.

Quarterly Financial Information The following is a summary of selected quarterly financial information. Each quarter represents a 13-week period with the exception of the 2006 fourth quarter which contains 95 days of operations compared to 91 days of operations in the 2005 fourth quarter. The additional four days of operations in 2006 are a result of changing the year end from the last Saturday in January to January 31.

Historically, the Company's first quarter sales are the lowest and fourth quarter sales are the highest, reflecting the Christmas selling period. Weather conditions are often extreme and can affect sales in any quarter. Net earnings are historically lower in the first quarter due to lower sales. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to meet competitive pressures to reduce excess inventories.

Operating Results—Consolidated

(\$ thousands)	Q1	Q2	Q3	Q4	Total
Sales					
2006	\$ 213,691	\$ 232,642	\$ 236,082	\$ 262,509	\$ 944,924
2005	\$ 196,237	\$ 215,124	\$ 211,295	\$ 226,997	\$ 849,653
Trading profit					
2006	\$ 20,189	\$ 24,430	\$ 25,604	\$ 26,146	\$ 96,369
2005	\$ 16,797	\$ 21,863	\$ 22,746	\$ 24,096	\$ 85,502
Net earnings					
2006	\$ 9,767	\$ 12,759	\$ 14,835	\$ 16,299	\$ 53,660
2005	\$ 7,745	\$ 10,764	\$ 12,192	\$ 12,189	\$ 42,890
Earnings per unit—basic					
2006	\$ 0.21	\$ 0.27	\$ 0.31	\$ 0.34	\$ 1.13
2005	\$ 0.16	\$ 0.23	\$ 0.26	\$ 0.25	\$ 0.90
Earnings per unit—diluted					
2006	\$ 0.20	\$ 0.27	\$ 0.31	\$ 0.34	\$ 1.12
2005	\$ 0.16	\$ 0.23	\$ 0.25	\$ 0.25	\$ 0.89

ACCOUNTING STANDARDS IMPLEMENTED IN 2006

There were no new accounting standards implemented in 2006.

FUTURE ACCOUNTING STANDARDS

The following five accounting standard changes will be in effect for the Company's fiscal year beginning February 1, 2007.

Financial instruments - recognition and measurement:

The CICA issued handbook section 3855, which establishes the standards for recognizing and measuring financial assets and liabilities and non-financial derivatives. This section requires that: a) all financial assets and liabilities be measured initially at fair value, b) all financial assets be subsequently measured at either amortized cost or fair value depending on the type of instrument and any optional designations by the Company, c) all financial liabilities be subsequently measured at amortized cost or at fair value if they are classified as held for trading purposes, and d) all derivative financial instruments are measured at fair value, even when they are part of a hedging relationship.

Financial instruments - disclosure and presentation:

The CICA replaced handbook section 3860 with handbook section 3861, which establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed.

Comprehensive income: The CICA issued handbook section 1530, which establishes how to report and disclose comprehensive income and its components. Comprehensive income is the change in a Company's net assets that results from transactions, events and circumstances from sources other than investments by and/or distributions to the Company's shareholders. It includes items that would not normally be

included in net earnings, such as: a) changes in the cumulative currency translation adjustments account relating to self-sustaining foreign operations, b) unrealized gains or losses on available-for-sale investments, and c) gains or losses on the effective portion of derivatives designated as cash flow hedges.

Equity: The CICA replaced handbook section 3250 – Surplus with handbook section 3251 – Equity. The new requirements of handbook section 3251 regarding the disclosure and presentation of equity components are consistent with the new requirements of section 1530 – Comprehensive Income.

Hedges: The CICA issued handbook section 3865 which establishes standards for when and how hedge accounting may be applied. The standard replaces and expands upon Accounting Guideline 13 – Hedging Relationships, and requires that hedges be designated as either fair value hedges, cash flow hedges or hedges of a net investment in a self-sustaining foreign operation. For a fair value hedge, the gain or loss on the hedging item is recognized in earnings in the period of change together with the offsetting change in the fair value of the hedged item attributable to the hedged risk. For a cash flow hedge, as well as a hedge of a net investment in a self-sustaining foreign operation, the effective portion of the gain or loss on the hedging item is initially reported in other comprehensive income and subsequently recognized in earnings when the hedged item affects earnings.

When the Company adopts the aforementioned sections on February 1, 2007, the following additional items will be reported in the 2007 first quarter consolidated financial statements:

a) comprehensive income and its components and b) accumulated comprehensive income and its components. The changes will be accounted for prospectively from February 1, 2007 except for any changes to the cumulative currency translation adjustments account, which requires retroactive restatement. The impact of adopting these standards on the Company's financial results at February 1, 2007 is not expected to be material. The impact of these standards on future earnings is not determinable as it is highly dependent on fair values, outstanding balances, and hedging strategies at the end of a reporting period.

NON-GAAP MEASURES

1 Trading Profit (EBITDA) is not a recognized measure under Canadian GAAP. Management believes that in addition to net earnings, trading profit is a useful supplemental measure as it provides investors with an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned, however, that trading profit should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of NWF's performance. NWF's method of calculating trading profit may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to trading profit or EBITDA is provided below:

Reconciliation of Net Earnings to Trading Profit

(\$ in thousands)	2006	2005
Net earnings	\$ 53,660	\$ 42,890
Add: Amortization	26,172	25,013
Interest expense	6,844	6,120
Income taxes	9,693	11,479
Trading profit	\$ 96,369	\$ 85,502

For trading profit information by business segment, see Note 14 "Segmented Information" in the notes to the consolidated financial statements on page 26

2 Earnings Before Interest and Income Taxes (EBIT) is not a recognized measure under Canadian GAAP. Management believes that EBIT is a useful measure as it provides investors with an indication of the performance of the consolidated operation and/or business segments, prior to interest expense and income taxes. Investors should be cautioned, however, that EBIT should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of NWF's performance. NWF's method of calculating EBIT may differ and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to EBIT is provided below:

Reconciliation of Net Earnings to EBIT

(\$ in thousands)	2006	2005
Net earnings	\$ 53,660	\$ 42,890
Add: Interest expense	6,844	6,120
Income taxes	9,693	11,479
Earnings before interest and income taxes (EBIT)	\$ 70,197	\$ 60,489

For EBIT information by business segment, see Note 14 "Segmented Information" in the notes to the consolidated financial statements on page 26

3 Cash Flow from Operations is not a recognized measure under Canadian GAAP. Management believes that in addition to net earnings, cash flow from operations is a useful supplemental measure as it provides investors with an indication of the Company's ability to generate cash flows to fund its cash requirements, including distributions and capital investment. Investors should be cautioned, however, that cash flow from operations should not be construed as an alternative to net earnings as a measure of profitability or the statement of cash flows. NWF's method of calculating cash flow from operations may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to cash flow from operations is provided below:

Reconciliation of Net Earnings to Cash Flow from Operations

(\$ in thousands)	2006	2005
Cash flow from operating activities	\$ 81,486	\$ 75,289
Non-cash items:		
Change in other non-cash items	1,112	5,432
Change in non-cash working capital	(3,845)	(9,865)
Cash flow from operations	\$ 78,753	\$ 70,856

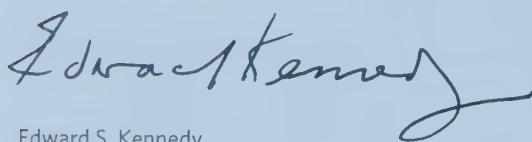
Management's Responsibility for Financial Statements

The management of North West Company Fund and The North West Company Inc. are responsible for the preparation, presentation and integrity of the accompanying financial statements and all other information in this annual report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada and include certain amounts that are based on the best estimates and judgment by management.

In order to meet its responsibility and ensure integrity of financial reporting, management has established a code of business ethics, and maintains appropriate internal controls and accounting systems. An internal audit function is maintained that is designed to provide reasonable assurance that assets are safeguarded, transactions are authorized and recorded and that the financial records are reliable.

Ultimate responsibility for financial reporting to unitholders rests with the Trustees of the Fund. The Audit Committee of the Board of Trustees, consisting of outside Trustees, meets periodically with management and with the internal and external auditors to review the audit results, internal controls and accounting policies. Internal and external auditors have unlimited access to the Audit Committee. The Audit Committee meets separately with management and the external auditors to review the financial statements and other contents of the annual report and recommend approval by the Board of Trustees. The Audit Committee also recommends the independent auditor for appointment by the unitholders.

PricewaterhouseCoopers LLP, an independent firm of auditors appointed by the unitholders, have completed their audit and submitted their report as follows.



Edward S. Kennedy
PRESIDENT & CEO, THE NORTH WEST COMPANY INC.



Léo P. Charrière
EXECUTIVE VICE-PRESIDENT & CFO,
THE NORTH WEST COMPANY INC.

MARCH 19, 2007

Auditor's Report

PRICEWATERHOUSECOOPERS 

To the Unitholders of North West Company Fund:

We have audited the consolidated balance sheets of North West Company Fund as at January 31, 2007 and as at January 28, 2006 and the consolidated statements of earnings and retained earnings and cash flows for the fiscal years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at January 31, 2007 and January 28, 2006 and the results of its operations and its cash flows for the fiscal years then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS
WINNIPEG, CANADA

MARCH 19, 2007

Consolidated Balance Sheets

(\$ in thousands)

January 31, 2007

January 28, 2006

ASSETS

Current assets

Cash	\$ 22,100	\$ 21,888
Accounts receivable	69,208	67,498
Inventories	128,455	124,551
Prepaid expenses	3,693	2,981
Future income taxes (Note 12)	2,708	1,824

226,164 218,742

Property and equipment (Note 3)	189,599	182,108
Other assets (Note 4)	19,690	17,306
Future income taxes (Note 12)	6,416	5,693

\$ 441,869 \$ 423,849

LIABILITIES

Current liabilities

Bank advances and short-term notes (Note 6)	\$ 21,581	\$ 27,041
Accounts payable and accrued liabilities	77,624	65,016
Income taxes payable	3,287	3,302
Current portion of long-term debt (Note 7)	20,291	108

122,783 95,467

Long-term debt (Note 7)	65,631	84,524
Asset retirement obligations (Note 8)	1,425	1,285

189,839 181,276

EQUITY

Capital (Note 9)	165,205	165,205
Contributed surplus (Note 17)	383	-
Unit purchase loan plan (Note 10)	(11,493)	(9,965)
Retained earnings	93,253	83,133
Cumulative currency translation adjustments (Note 11)	4,682	4,200

252,030 242,573

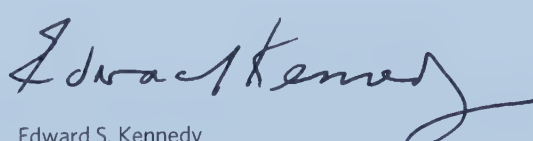
\$ 441,869 \$ 423,849

See accompanying notes to consolidated financial statements

Approved by the Trustees



Ian Sutherland
TRUSTEE



Edward S. Kennedy
TRUSTEE

Consolidated Statements of Earnings & Retained Earnings

	52 Weeks Ended January 31, 2007 (Note 2)	52 Weeks Ended January 28, 2006
(\$ in thousands)		
SALES	\$ 944,924	\$ 849,653
Cost of sales, selling and administrative expenses	(848,555)	(764,151)
Net earnings before amortization, interest and income taxes	96,369	85,502
Amortization	(26,172)	(25,013)
	70,197	60,489
Interest, including interest on long-term debt of \$5,792 (2005 - \$5,080)	(6,844)	(6,120)
	63,353	54,369
Provision for income taxes (Note 12)	(9,693)	(11,479)
NET EARNINGS FOR THE YEAR	\$ 53,660	\$ 42,890
Retained earnings, beginning of year	83,133	70,560
Distributions (Note 20)	(43,540)	(30,317)
RETAINED EARNINGS, END OF YEAR	\$ 93,253	\$ 83,133
NET EARNINGS PER UNIT (Note 13)		
Basic	\$ 1.13	\$ 0.90
Diluted	\$ 1.12	\$ 0.89

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

	52 Weeks Ended January 31, 2007 (Note 2)	52 Weeks Ended January 28, 2006
(\$ in thousands)		
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net earnings for the year	\$ 53,660	\$ 42,890
Non-cash items		
Amortization	26,172	25,013
Future income taxes	(1,580)	2,780
Unit purchase loan plan compensation (Note 17)	383	-
Amortization of deferred financing costs	186	186
Gain on disposal of property and equipment	(68)	(13)
	78,753	70,856
Change in non-cash working capital	3,845	9,865
Change in other non-cash items	(1,112)	(5,432)
Operating activities	81,486	75,289
Investing Activities		
Business acquisitions (Note 19)	(5,577)	-
Purchase of property and equipment	(30,136)	(24,833)
Proceeds from disposal of property and equipment	237	848
Investing activities	(35,476)	(23,985)
Financing Activities		
Change in bank advances and short-term notes	(5,460)	(4,899)
Net purchase of units for unit purchase loan plan	(1,528)	(5,536)
Repayment of long-term debt	(108)	(102)
Distributions (Note 20)	(38,702)	(30,317)
Financing activities	(45,798)	(40,854)
NET CHANGE IN CASH	\$ 212	\$ 10,450
Cash, beginning of year	21,888	11,438
CASH, END OF YEAR	\$ 22,100	\$ 21,888
Supplemental disclosure of cash paid for:		
Interest expense	\$ 6,839	\$ 6,166
Income taxes	\$ 11,730	\$ 9,260

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

January 31, 2007

1. ORGANIZATION

The North West Company Fund (NWF or the Fund) is an unincorporated open-ended mutual fund trust, governed by the laws of the Province of Manitoba and the laws of Canada and created pursuant to a Declaration of Trust. The beneficiaries of the Fund (the "unitholders") are holders of trust units issued by the Fund (the "Trust Units"). The Fund is a limited purpose trust whose purpose is to invest in securities of its wholly owned subsidiaries The North West Company Inc. (NWC), The NWC Trust, NWC GP Inc., administer the assets and liabilities of NWF and make distributions to the unitholders all in accordance with the Declaration of Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The consolidated financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise noted.

These consolidated financial statements include the accounts of NWF, The NWC Trust, NWC GP Inc., the operating entities (the "Company") The North West Company LP, NWC and its wholly owned subsidiaries, Alaska Commercial Company (AC) and the group of Tora companies operating as Giant Tiger stores. The financial results of certain subsidiaries which have different year ends have been included in the consolidated financial statements for the 12 months ended January 31, 2007 and January 28, 2006. All significant inter-company amounts and transactions have been eliminated on consolidation.

Fiscal Year The Fund has adopted a fixed fiscal year end of January 31 compared to the last Saturday in January used in prior years. Accordingly, the year ended January 31, 2007 has 368 days of operations compared to the year ended January 28, 2006 which has 364 days of operations.

Revenue Recognition Revenue on the sale of goods and services is recorded at the time the sale is made to the customer. Service charges on credit card receivables are accrued each month on balances outstanding at each account's billing date.

Accounts Receivable Accounts receivable classified as current assets include customer installment accounts of which a portion may not become due within one year.

Inventories Inventories are valued at the lower of cost and net realizable value less normal profit margins. The cost of warehouse inventories is determined by the average cost method. The cost of retail inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method of accounting for food inventories.

Vendor Rebates Consideration received from vendors related to the purchase of merchandise is recorded as a reduction in the price of the vendor's products and reflected as a reduction of cost of goods sold and related inventory.

Property and Equipment Property and equipment are recorded at cost. Amortization is provided using the straight-line method over their estimated useful lives, as follows:

Buildings	2%- 8%
Leasehold improvements	5%-20%
Fixtures and equipment	8%-20%
Computer equipment and software	12%-33%

Impairment of Long-Lived Assets Impairment of long-lived assets is recognized when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value.

Other Assets The investment in a transportation company is accounted for on the equity basis. Deferred financing costs are being amortized over the life of the debt. Prepayments under lease agreements are being amortized over their respective lease terms.

Intangible Assets Non-compete agreements are recorded at their cost and are amortized on a straight-line basis over the term of the agreements which is five to 10 years. The carrying value of these assets is reviewed periodically for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and will be written down to their fair value by a charge to amortization expense if a decline in carrying value is determined.

Unit Purchase Loan Plan Loans issued to officers and senior management to purchase units of the Fund under the unit purchase loan plan are treated as a reduction of equity.

Security Based Compensation The Company has security-based compensation plans as described in Note 17. Security-based awards are measured and recognized using a fair value based method.

Foreign Currency Translation The accounts of Alaskan operations have been translated into Canadian dollars using the current rate method whereby assets and liabilities are translated at the year-end exchange rate and revenues and expenses at the average rate for the period. Foreign exchange gains or losses arising from the translation of the net investment in the self-sustaining Alaskan operations and the portion of the U.S. denominated debt designated as a hedge against this investment are deferred and included in a separate component of equity as

cumulative currency translation adjustments. These cumulative currency translation adjustments are recognized in income when there has been a reduction in the net investment in the self-sustaining foreign operation.

Income Taxes The Company accounts for income taxes using the liability method of tax allocation. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be realized or settled. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized. The provision for income taxes is recorded in the Company at applicable statutory rates.

The Fund is an inter vivos trust for income tax purposes. All income of the Fund is distributed to unitholders and, as such, no income tax is payable by the Fund. On October 31, 2006 the Government of Canada announced plans to impose a tax on certain publicly traded income trusts. If the proposed tax changes are enacted, interest amounts that are paid to the Fund, which are currently allowable as a deduction from taxable income of The North West Company Inc., and other income that flows on a pre-tax basis to the Fund will be taxed upon distribution from the Fund at a proposed rate of 31.5% beginning in 2011.

Employee Future Benefits The Company maintains a defined benefit or defined contribution pension plan for the majority of its employees. The actuarial determination of the accrued benefit obligations for pension benefits uses the projected benefit method prorated on services which incorporates management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees. For the purpose of calculating the expected returns on plan assets, those assets are valued at market-related value based on a five-year moving average. Past service costs and the net transitional asset are amortized on a straight-line basis over the average remaining service period of the employees expected to receive the benefits under the plan. The excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the market-related value of the plan assets is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the pension plan is 15 years (January 28, 2006 – 15 years). Contributions to the defined contribution pension plan are expensed as incurred.

Asset Retirement Obligations A liability associated with the retirement of long-lived assets is recorded in the period in which the legal obligation is incurred at its estimated fair value and a corresponding asset is capitalized as part of the related asset and depreciated over its useful life. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted to reflect the passage of time and changes in the estimated future costs underlying the obligation.

Financial Instruments The Company uses various financial instruments to reduce its exposure to fluctuations in interest and U.S. currency exchange rates. The Company does not hold or issue any derivative financial instruments for speculative trading purposes. The interest differential to be paid or received under interest rate swap agreements is recognized over the life of the contracts as an adjustment to interest expense. The Company translates its U.S. denominated debt that is hedged by cross-currency swaps at the rate implicit in the swap agreement.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future events could alter such estimates in the near term. Estimates are used when accounting for items such as valuation of accounts receivable, valuation of inventories, amortization, impairment of assets, employee future benefits, and income taxes.

3. PROPERTY AND EQUIPMENT (\$ in thousands)

Year Ended	January 2007		January 2006	
	Accumulated Cost	Amortization	Accumulated Cost	Amortization
Land	\$ 6,664	\$ -	\$ 6,420	\$ -
Buildings & leasehold improvements	221,920	113,391	204,835	101,560
Fixtures & equipment	136,614	87,194	125,001	79,520
Computer equipment & software	68,173	49,883	65,721	45,172
Construction in process	6,696	-	6,383	-
	\$ 440,067	\$ 250,468	\$ 408,360	\$ 226,252
Net book value	\$ 189,599		\$ 182,108	

4. OTHER ASSETS (\$ in thousands)

Year Ended	January 2007	January 2006
Investments in transportation companies	\$ 4,706	\$ 3,585
Accrued employee future benefit asset (Note 15)	7,470	7,431
Long-term receivable	3,466	3,601
Prepayments under lease agreements	1,076	957
Intangible assets (Note 5)	1,177	-
Deferred financing costs	481	667
Other*	1,314	1,065
	\$ 19,690	\$ 17,306

*Other includes redeemable deposits with suppliers, licenses and shares in buying groups

5. INTANGIBLE ASSETS (\$ in thousands)

Year Ended	January 2007		January 2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Non-compete agreements	\$ 1,370	\$ 193	\$ -	\$ -
Net book value	\$ 1,177		\$ -	

The non-compete agreements included as part of the business acquisitions (see Note 19) are amortized on a straight-line basis over the term of the agreements which is five to 10 years. Intangible assets are included in other assets on the Company's consolidated balance sheet. Intangible asset amortization expense recorded in amortization on the Company's consolidated statement of earnings for the year ended January 31, 2007 is \$193,000 (January 28, 2006 - \$0).

6. BANK ADVANCES AND SHORT-TERM NOTES

The Canadian operation has available operating loan facilities of \$85 million at interest rates ranging from prime to prime plus 0.75%. These facilities are secured by a floating charge against the assets of the Company on a pari passu basis with the senior note holders. As at January 31, 2007, the Company had drawn on the facilities \$21,581,000 (January 28, 2006 - \$27,041,000).

The Alaskan operation has available an operating loan facility of US\$4 million at an interest rate of prime minus 0.25% secured by a floating charge against the assets of the Company. As at January 31, 2007, the Alaskan operations had no outstanding amount drawn on the facility (January 28, 2006 - US\$0).

7. LONG-TERM DEBT

Year Ended (\$ in thousands)	January 2007	January 2006
Senior notes ¹	\$ 76,648	\$ 74,581
Effect of foreign currency swaps ¹	8,132	8,831
Obligation under capital lease ²	1,142	1,220
	85,922	84,632
Less: Current portion of long-term debt	20,291	108
	\$ 65,631	\$ 84,524

1 The US\$65 million senior notes mature on June 15, 2009 and bear an interest rate of 5.89% payable semi-annually. Repayment of 20% of the principal is required on June 15, 2007 and June 15, 2008. The notes are secured by a floating charge against the assets of the Company. The Company has entered into various cross-currency interest rate and interest rate swaps resulting in floating interest costs on US\$36 million of its senior notes. After giving effect to the interest rate swaps and cross-currency interest rate swaps the effective interest rate for the year ended January 31, 2007 was 7.3% (January 28, 2006 - 6.1%).

2 The obligation under a capital lease of US\$968,000 (January 28, 2006 - US\$1,063,000) is repayable in blended principal and interest payments of US\$200,000 annually. The obligation will be fully repaid on October 31, 2013.

The Company's principal payments of long-term debt over the next five years are as follows:

Years Ending January	(\$ in thousands)
2008	\$ 20,291
2009	18,759
2010	46,140
2011	168
2012	186

8. ASSET RETIREMENT OBLIGATIONS

The Company has recognized a discounted liability associated with obligations arising from the operation of petroleum dispensing units and specific provisions in certain lease agreements regarding the exiting of leased properties at the end of the respective lease terms. At January 31, 2007, the undiscounted cash flows required to settle the obligations are \$6.9 million, which is expected to be settled between 2007 and 2058. The credit-adjusted risk-free rate at which the estimated cash flows have been discounted is 8%.

A reconciliation of the opening and closing carrying amount of the asset retirement obligation is as follows:

Year Ended (\$ in thousands)	January 2007	January 2006
Balance, beginning of year	\$ 1,285	\$ 1,105
Liabilities incurred during the year	34	99
Accretion expense included in cost of sales, selling and administrative expenses	106	81
Balance, end of year	\$ 1,425	\$ 1,285

9. CAPITAL

Authorized The Fund has an unlimited number of units.

(units and \$ in thousands)			
Year Ended	January 2007		January 2006
Issued and outstanding	48,378	\$165,205	48,378 \$165,205

On September 20, 2006, the Fund's outstanding units were split on a three-for-one basis whereby unitholders received two additional units for each unit held on the record date of September 20, 2006. The issued and outstanding units in prior periods have been restated to reflect the three-for-one unit split.

10. UNIT PURCHASE LOAN PLAN

During the year the Company issued loans to officers and senior management to purchase units under the unit purchase loan plan. These loans are non-interest bearing and are repayable from the Company's after-tax distributions or if the employee sells the units or leaves the Company. The loans are secured by a pledge of 752,704 units of NWF with a quoted value of \$12,352,000 as at January 31, 2007. Loans receivable at January 31, 2007 of \$11,493,000 (January 28, 2006 - \$9,965,000) are recorded as a reduction of equity. The loans have terms of three to five years. The maximum amount of the loans under the plan is currently limited to \$15,000,000.

11. CUMULATIVE CURRENCY TRANSLATION ADJUSTMENTS (\$ in thousands)

Year Ended	January 2007	January 2006
Balance, beginning of year	\$ 4,200	\$ 4,949
Movement in exchange rate	482	(749)
Balance, end of year	\$ 4,682	\$ 4,200

The cumulative currency translation adjustments account represents the net changes due to exchange rate fluctuations in the equivalent Canadian dollar book values of the net investment in self-sustaining Alaskan operations since the date of acquisition. A portion of the U.S. denominated senior notes in the amount of US\$43 million has been designated as a hedge against the Alaskan operations.

12. INCOME TAXES (\$ in thousands)

Significant components of the Company's future tax assets are as follows:

Year Ended	January 2007	January 2006
Future tax assets		
Non-capital loss carryforwards	\$ -	\$ 245
Tax values of capital assets in excess of accounting values	7,893	7,915
Provisions and other temporary differences	1,231	(643)
Net future tax asset	\$ 9,124	\$ 7,517
Comprised of		
Current	\$ 2,708	\$ 1,824
Long-term	6,416	5,693
	\$ 9,124	\$ 7,517

Income tax expense differs from the amounts that would be obtained by applying the combined statutory income tax rate to earnings due to the following:

Year Ended	January 2007	January 2006
Net earnings before income taxes	\$ 63,353	\$ 54,369
Combined statutory income tax rate	35.90%	36.34%
Income taxes based on combined statutory income tax rate	22,744	19,757
Increase (decrease) in income taxes resulting from:		
Large corporation tax	-	525
Amounts not subject to income tax	(6,925)	(1,112)
Income tax deductions on interest paid to the Fund	(9,232)	(9,340)
Withholding tax	286	314
Recognition of Canadian income tax rate changes on future income taxes	735	34
Other	2,085	1,301
Provision for income taxes	\$ 9,693	\$ 11,479
Effective income tax rate	15.30%	21.11%

Significant components of the provision for income taxes are as follows:

Year Ended	January 2007	January 2006
Current income tax expense	\$ 11,272	\$ 8,699
Future income tax expense (benefit) relating to:		
Temporary differences and loss carryforwards	(2,314)	2,746
Recognition of Canadian income tax rate changes on future income taxes	735	34
Provision for income taxes	\$ 9,693	\$ 11,479

The recognition and measurement of the current and future tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations and in the assessment of the recoverability of future tax assets. Actual income taxes could vary from these estimates as a result of future events, including changes in income tax laws or the outcome of tax review by tax authorities and related appeals. To the extent the final outcome is different from the amounts initially recorded, such differences, which could be significant, will impact the income tax provision in the period in which the outcome is determined.

13. NET EARNINGS PER UNIT

Basic net earnings per unit are calculated based on the weighted-average units outstanding in 2006 of 47,561,000 (2005 - 47,694,000). The diluted net earnings per unit takes into account the dilutive effect of the deferred unit plan for Trustees and the additional income that would have been earned by the Company had interest costs not been incurred on the unit purchase loan plan and had the respective units been outstanding during the year. On September 20, 2006, the Fund's outstanding units were split on a three-for-one basis whereby unitholders received two additional units for each unit held on the record date of September 20, 2006. The weighted average units outstanding and the basic and diluted earnings per unit in prior periods have been restated to reflect the three-for-one unit split.

(\$ and units in thousands except earnings per unit)

Year Ended	January 2007	January 2006
Diluted earnings per unit calculation:		
Net earnings for the year		
(numerator for basic earnings per unit)	\$ 53,660	\$ 42,890
After-tax interest cost of unit purchase loan plan	418	266
Numerator for diluted earnings per unit	\$ 54,078	\$ 43,156
Weighted average units outstanding (denominator for basic earnings per unit)	47,561	47,694
Dilutive effect of security based compensation	828	684
Denominator for diluted earnings per unit	48,389	48,378
Basic earnings per unit	\$ 1.13	\$ 0.90
Diluted earnings per unit	\$ 1.12	\$ 0.89

14. SEGMENTED INFORMATION (\$ in thousands)

The Company operates within the retail industry in Canada and Alaska. The following information is presented for the two business segments:

Year Ended	January 2007	January 2006
Sales		
Canada	\$ 769,633	\$ 689,340
Alaska	175,291	160,313
Total	\$ 944,924	\$ 849,653
Net earnings before amortization, interest and income taxes		
Canada	\$ 81,730	\$ 70,561
Alaska	14,639	14,941
Total	\$ 96,369	\$ 85,502
Net earnings before interest and income taxes		
Canada	\$ 59,482	\$ 49,458
Alaska	10,715	11,031
Total	\$ 70,197	\$ 60,489
Identifiable assets		
Canada	\$ 292,872	\$ 293,606
Alaska	66,661	60,640
Total	\$ 359,533	\$ 354,246

15. EMPLOYEE FUTURE BENEFITS

The Company sponsors defined benefit pension plans covering the majority of Canadian employees. The defined benefit pension plans are based on years of service and final average salary. The Company uses actuarial reports prepared by independent actuaries for funding and accounting purposes as at January 31, 2007 and January 28, 2006. The accrued pension benefits and the market value of the plans' net assets were last determined by actuarial valuation as at January 1, 2006. The next actuarial valuation is required as at January 1, 2009. The Company also sponsors an employee savings plan covering all U.S. employees with at least six months of service. Under the terms of the plan, the Company is obligated to make a 50% matching contribution up to 3% of eligible compensation.

Total cash payments by the Company for future employee benefits, consisting of cash contributed to its pension plans and U.S. employee's savings plans for the year ended January 31, 2007 was \$4,069,000 (January 28, 2006 - \$9,712,000).

The following significant actuarial assumptions were employed to measure the accrued benefit obligations and benefit plan expense:

Year Ended	January 2007	January 2006
Accrued benefit obligations		
Discount rate	5.3%	5.0%
Rate of compensation increase	4.0%	4.0%
Benefit plan expense		
Discount rate	5.0%	6.0%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase	4.0%	4.0%

The Company's pension benefit expense is determined as follows:

Year Ended (\$ in thousands)	January 2007			January 2006		
	Incurring in year	Matching Adjustments ¹	Recognized in year	Incurring in year	Matching Adjustments ¹	Recognized in year
Current service costs, net of employee contributions	\$ 3,555	\$ -	\$ 3,555	\$ 2,673	\$ -	\$ 2,673
Interest on accrued benefits	2,884	-	2,884	2,819	-	2,819
Return on plan assets	(4,986)	1,650	(3,336)	(4,031)	909	(3,122)
Actuarial (gain) loss	(1,602)	2,679	1,077	10,164	(9,805)	359
Past service costs	-	(11)	(11)	-	(11)	(11)
Amortization of net transition asset	-	(308)	(308)	-	(308)	(308)
Net benefit plan expense	\$ (149)	\$ 4,010	\$ 3,861	\$ 11,625	\$ (9,215)	\$ 2,410

1 Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits

The expense incurred under the employee savings plan covering U.S. employees for the year ended January 31, 2007 is US\$148,000 (January 28, 2006 - US\$138,000).

Information on the Company's defined benefit plans, in aggregate, is as follows:

Year Ended (\$ in thousands)	January 2007	January 2006
Plan assets		
Fair value—beginning of year	\$ 48,612	\$ 39,199
Actual return on plan assets	4,986	4,031
Employer contributions	3,900	9,533
Employee contributions	38	46
Benefits paid	(5,813)	(4,197)
Fair value—end of year	\$ 51,723	\$ 48,612
Plan obligations		
Accrued benefit obligation—beginning of year	\$ 60,574	\$ 49,083
Current service cost	3,593	2,705
Accrued interest on benefits	2,884	2,819
Benefits paid	(5,813)	(4,197)
Actuarial (gain) loss	(1,602)	10,164
Accrued benefit obligation—end of year	\$ 59,636	\$ 60,574
Funded status		
Fair value plan assets	\$ 51,723	\$ 48,612
Accrued benefit obligation	59,636	60,574
Plan deficit	(7,913)	(11,962)
Unamortized net actuarial losses	17,508	21,837
Unamortized net transitional asset	(2,074)	(2,382)
Unamortized past service costs	(51)	(62)
Accrued employee future benefit asset	\$ 7,470	\$ 7,431

The accrued employee future benefit asset is included in other assets in the Company's consolidated balance sheet (see Note 4).

The accrued benefit obligation of all of the Company's defined benefit pension plans exceeds the fair value of plan assets as noted above.

Year Ended	January 2007	January 2006
Plan assets consist of:		
Equity securities	64%	54%
Debt securities	29%	33%
Other	7%	13%
Total	100%	100%

The pension plans have no investment in the units of the Company.

16. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

a) In 2002, the Company signed a 30-year Master Franchise Agreement with *Giant Tiger Stores Limited*, based in Ottawa, Ontario which grants the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, *Giant Tiger Stores Limited* provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening, owning, operating and providing distribution services to the stores. The Company's exclusivity right requires that a minimum number of Giant Tiger stores be opened each year, based on an expected roll-out of 72 stores over the term of the agreement. As at January 31, 2007 the Company had opened 19 Giant Tiger stores and is in compliance with the terms of the agreement.

b) In 1992, the Company entered into an agreement to lease the land on which the Winnipeg Logistics Service Centre is located from the City of Winnipeg for \$1 per year for 15 years subject to attaining agreed-upon job creation targets. Management anticipates that the agreed targets will be met; accordingly, no additional lease payments have been accrued. The Company is obligated to buy the land for the greater of \$1,710,000 or fair market value at August 31, 2007. The Company believes the purchase price of the land will be approximately \$1.7 million.

c) The Company has future commitments under operating leases as follows:

Years Ending January	Minimum Lease Payments (\$ in thousands)
2008	\$ 11,819
2009	10,673
2010	8,993
2011	8,505
2012	7,764
Thereafter	47,412

Contingencies

a) In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

b) The Company is involved in various legal matters arising in the normal course of business. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees The Company has provided the following significant guarantees to third parties:

a) The Company has entered into indemnification agreements with its current and former directors and officers to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased director and officer liability insurance. No amount has been recorded in the financial statements with respect to these indemnification agreements.

b) In the normal course of operations, the Company provides indemnification agreements to counterparties for various events such as intellectual property right infringement, loss or damages to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these indemnification agreements vary based on the specific contract. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. No amount has been recorded in the financial statements with respect to these indemnification agreements.

17. SECURITY-BASED COMPENSATION

Deferred unit plan The Fund offers a deferred unit plan for independent Trustees and Directors. The purpose of the deferred unit plan is to enhance the ability of the Fund and the Company to attract and retain independent Trustees and Directors whose training, experience and ability will contribute to the effective governance of the Fund and the Company and to directly align their interests with the interests of unitholders by providing compensation for services to the Fund and Company in the form of units. Participants will be credited with deferred units based on the portion of fees each participant elects to allocate to the deferred unit plan. Each deferred unit will entitle the holder to receive a unit of the Fund. The deferred units are exercisable by the holder at any time but no later than December 31 of the first calendar year commencing after the holder ceases to be a Trustee or Director. A participant may elect at the time of exercise of any deferred units, subject to the consent of the Fund, to have the Fund pay an amount in cash equal to the aggregate current market value of the units, determined based on the closing price of the units on the TSX on the trading day preceding the exercise date, in consideration for the surrender by the participant to the Fund the right to receive units from the exercising of the deferred units.

The Fund has adopted the fair value method of accounting for security based compensation. The security based compensation expense recorded for the year ended January 31, 2007 is \$370,000 (January 28, 2006 - \$0). The liability for the deferred unit plan is recorded in accounts payable and accrued liabilities on the Company's consolidated balance sheet and is adjusted to reflect the total number of deferred units outstanding multiplied by the closing unit price at the end of the reporting period. The total number of deferred units outstanding at January 31, 2007 is 24,346 (January 28, 2006 - 0). There were 2,148 deferred units exercised during the year which were settled in cash.

Unit purchase loan plan The Company has a unit purchase loan plan for officers and senior management whereby loans are granted to employees to purchase units of NWF (see Note 10). These loans are in substance similar to stock options and accordingly are accounted for as stock-based compensation in accordance with section 3870 of the CICA handbook. This standard has been applied on a prospective basis as it was determined that the application on a retroactive basis would not have a material impact on the financial statements.

The compensation cost relating to the unit purchase loan plan for the year ended January 31, 2007 was \$383,000 with a corresponding increase in contributed surplus. The compensation cost is a non-cash expense and has no impact on the distributions from the Fund. There were 139,138 units purchased under the unit purchase loan plan in 2006. The units are purchased at market prices and are fully vested at the time the loan is exercised. The units are pledged as security against the loan and cannot be withdrawn from the plan until the principal amount of the loan is less than 65% or 80% of the market value of the units pledged as security or if the employee sells the units or leaves the Company. If the loan value as a percentage of the market value of the units pledged as security against the loan falls below the 65% to 80% threshold, the employee may reduce the number of units pledged equal to the market value in excess of the loan balance. Employees are required to make principal payments on the loan equal to the after-tax distributions on the units pledged as security. The fair value of the compensation cost was estimated using the Black-Scholes model using the following assumptions:

Expected life	3 to 5 years
Risk-free interest rate	4.1%
Expected volatility	17.9%

18. FINANCIAL INSTRUMENTS (\$ in thousands)

Short-Term Financial Instruments Short-term financial instruments which include cash, accounts receivable, bank advances and short-term notes, accounts payable and accrued liabilities, and income tax payable are valued at their carrying amounts included in the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.

Long-Term Financial Instruments The Company had the following long-term financial instruments outstanding as at January 31, 2007:

	Maturity	Interest Rate	Carrying Value	Fair Value
Debt				
US\$65 million				
Senior notes	2009	5.89% ¹	\$ 76,648 ²	\$ 76,464
				Unrealized Loss
Swaps				
US\$14 million		LIBOR ³ plus		
Interest rate	2007-2009	1.87%		\$ 445
US\$22 million		B.A. ⁴ plus 2.99%		
Cross-currency	2007-2009	to B.A. plus 3.16%		\$ 9,001
Interest rate				

1 Weighted-average

2 The senior notes (Note 7) recorded on the balance sheet includes unrealized losses of \$8,132 on the foreign currency portion of the US\$22 million cross-currency interest rate swaps

3 London Interbank Offered Rate

4 Bankers' Acceptances

Interest Rate Risk The Company has exposure to interest rate fluctuations on the swapped amount of its senior notes.

Credit Risk The Company is exposed to credit risk, primarily in relation to credit card customer accounts and notes receivable from First Nations governments. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

19. BUSINESS ACQUISITIONS

On May 1, 2006, the Company acquired the assets of four stores on Prince of Wales Island, Alaska for \$3,248,000 in cash consideration. The acquisition has been accounted for by the purchase method of accounting and the results of the operations are included in the consolidated financial statements from May 1, 2006. The assets acquired were comprised of inventories \$1,321,000; property and equipment \$1,586,000; and intangible assets of \$341,000. The intangible assets are included in other assets on the Company's consolidated balance sheet. The purchase price has been allocated to the acquired assets based on estimates of their fair values as at the closing date.

On March 8, 2006, the Company acquired all of the common shares of 1089140 Ontario Inc., a retail pharmacy in Moosonee, Ontario for \$2,329,000 in cash. The acquisition has been accounted for by the purchase method of accounting and the results of the operations of 1089140 Ontario Inc. are included in the consolidated financial statement from March 8, 2006. The net assets acquired were comprised of accounts receivable of \$131,000; inventories of \$398,000; property and equipment of \$828,000; intangible assets of \$1,029,000 and future income taxes payable of \$57,000. The intangible assets are included in other assets on the Company's consolidated balance sheet. The purchase price has been allocated to the acquired assets based on estimates of their fair values as at the closing date.

20. DISTRIBUTIONS

Distributions for the year ended January 31, 2007 of \$43,540,000 include the extra distribution of \$4,838,000 paid on February 23, 2007 to unitholders of record on December 31, 2006. The distributions paid in cash during the fiscal year were \$38,702,000 which does not include the \$4,838,000 extra distribution that was paid on February 23, 2007.

There were no extra distributions paid for the fiscal year ending January 28, 2006.

21. COMPARATIVE AMOUNTS

The comparative amounts have been reclassified to conform with the current year's presentation.

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